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NATIONAL UNCERTAINTY COULD AFFECT PENNSYLVANIA

Although there were a few encouraging signs in the Commonwealth's economy during September, **uncertainty over the future health of the U.S. economy as reflected in the recent volatility on Wall Street, could become a factor in the State in future months.** In fact, it may be argued, probably correctly, that Pennsylvania will follow national trends over coming months quite closely. In all likelihood, this will result in some slowing in growth as the national economy tries to weave its way around many roadblocks.

Job levels in Pennsylvania held steady or rose slighty in most industries during September. **Perhaps the best news came in manufacturing where job levels rose by a seasonally adjusted 3,000 to 1.04 million as both durable and nondurable goods industries added workers.** It does appear that the bulk of our manufacturing job losses are behind us in the Commonwealth. Although the number of jobs in these establishments has declined by 1.6 percent so far this year, this compares quite favorably with the 3.7 percent decline in 1986 and the 2.9 percent reduction in the number of positions in 1985.

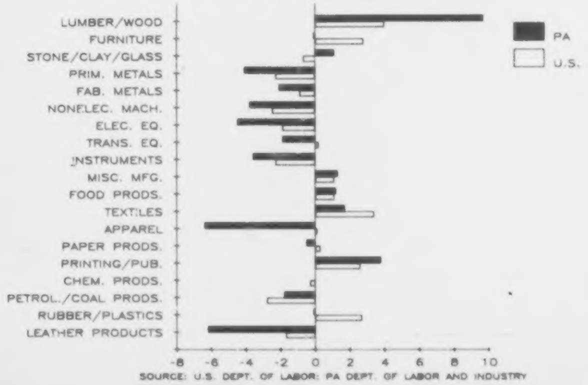
On the negative side, **while Pennsylvania has lost jobs so far this year, the U.S. as a whole has turned the corner and is adding workers in manufacturing industries.** This trend is reflected in the accompanying chart which shows that in most industries within manufacturing, Pennsylvania is being outperformed by the nation. Of special importance is the fact that in our "traditional" industries in durable goods manufacturing such as steel and machinery, job losses in Pennsylvania have been more severe than in the U.S. so far this year. Furthermore, other indicators of manufacturing's health such as the average factory workweek, total hours worked, total payrolls, and electricity sales to industry each declined slightly. Steel production, on the other hand, rose again, just as it has been doing since the end of the USX labor dispute.

As shown in the accompanying chart, there is a good deal of variation across manufacturing industries with respect to the average workweek. Specifically, the workweek for nondurable goods industries appears to be much more volatile than that for durable goods. Indeed, while we can find the manufacturing industry with the longest workweek in the nondurable goods grouping, paper products, we can also find the shortest workweek in the apparel industry.

On the nonmanufacturing side, a strong performance by State and local government helped push overall job levels up by a seasonally adjusted 3,000 to 3.9 million. Normally, the number of jobs in State and local government increases by about 8,300 during September as the school-year approaches. This year, the gain was 13,500. However, that relatively large gain is likely to be corrected in the near future. Retail trade also turned in another encouraging performance as 3,000 jobs were added after adjusting for normal seasonal variations, pushing job totals up to another record high.

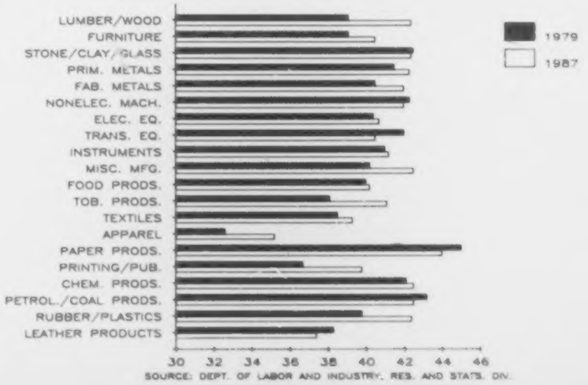
On the construction front, the number of jobs held steady following six consecutive months of gains. With respect to construction contracts awarded so far this year, the value of

1987 YTD PA AND U.S. MFG. JOB GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

PA AVERAGE WORKWEEKS IN MFG. INDUSTRIES
(hours per week)

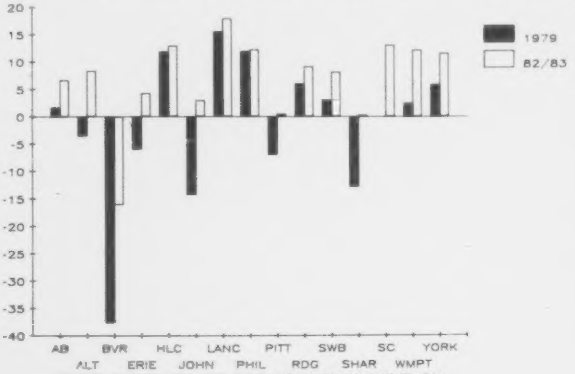


SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

residential awards has grown 4.1 percent, the gain has been 35.8 percent on the nonresidential side, and a 1.2 percent gain has been recorded with respect to nonbuilding projects. Except for the nonresidential sector, these gains fall well short of those which occurred during the first nine months of last year. As an aside, the "Housing Permits Report" section of the *Survey* suggests that **residential construction activity may be slowing somewhat.**

With respect to nonagricultural job growth in Pennsylvania metropolitan areas, some interesting trends are evident when comparing job levels maintained so far this year to 1979, the most recent peak in the business cycle, and 1982/1983, the most recent trough. Specifically, six of the 15 metro areas have yet to reach 1979 job levels. Each is located in the western portion of the Commonwealth. **While only one area, Beaver County, has lost jobs over the recovery period**

NONAGRICULTURAL JOB GROWTH IN PA METRO AREAS
(1987 YTD percent change from 1979 and 1982/1983)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; RES. AND STATS. DIV.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	August	*September*	*September*	*August*	*September*	*September*	*August*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,945*	4,968	4,847	4,931*	4,937	4,812	108.0	108.1	105.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,901*	3,918	3,792	3,894*	3,897	3,771	120.8	120.9	117.0
Mining	32*	32	34	30	31	32	63.3*	63.7	67.1
Contract construction	247*	245	225	228*	228	208	124.0*	124.0	113.2
Transportation	133*	140	141	138	138	138	85.5*	85.8	85.9
Public Utilities	106*	105	102	106	105	102	104.9*	104.7	100.9
Wholesale trade	275	274	262	274	274	261	123.6*	123.6	117.8
Retail trade	875*	879	845	872*	875	840	121.6*	122.0	117.2
Finance, insurance & real estate	292*	289	282	288*	287	280	132.5*	132.1	128.9
Service & miscellaneous	1,282*	1,286	1,236	1,280*	1,279	1,229	148.4	148.3	142.5
Federal government	143	141	137	143*	142	138	111.2*	110.5	107.8
State & local government	513*	527	529	535	540	543	91.8	92.7	93.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,042	1,046	1,047	1,037*	1,040	1,040	77.3*	77.5	77.5
Durable goods	591	594	591	589	591	589	72.8	73.0	72.7
Nondurable goods	452*	453	455	448*	449	451	84.1*	84.3	84.8
Ave. wkly. hrs. worked by prod. workers	41.1*	40.8	40.6	41.3*	40.7	40.5	104.4*	102.9	102.5
Total wkly. person-hours worked (mils.)	29.1*	29.1	28.8	29.0	28.8	28.5	75.6*	75.1	74.1
Total wkly. payroll (mil. dols.)	290.0*	292.9	281.2	291.2*	290.3	278.6	129.6*	129.2	124.0
Steel production (thous. tons)	1,051	1,047	549	n.a.	n.a.	n.a.	55.3	57.2	29.9
Industrial electric power sales (mil. kwh)	3,827	3,762	3,515	3,770	3,732	3,469	102.1	101.1	93.9
Mining									
Anthracite coal (thous. net tons)	281	281	333	247	261	313	50.6	53.4	64.0
Bituminous coal (thous. net tons)	4,271	5,668	5,053	4,020	5,145	4,597	57.0	72.9	65.2
Construction contracts awarded (mil. dols.)									
Total	917.1	831.0	636.2*	897.1	801.0	635.8*	278.8	249.0	197.6*
Residential building	359.7	342.8	326.6*	309.8	339.8	320.5*	220.2	241.4	227.7*
Nonresidential building	372.2	312.3	189.4*	367.6	268.9	172.9*	338.8	247.9	159.4*
Nonbuilding (utilities and public works)	185.1	176.0	120.2*	219.7	192.3	142.4*	303.1	265.3	196.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,526	5,411	5,312	5,386	5,362	5,265	112.1	111.6	109.6
Unemployed									
No. of persons (thous.)	303	297	365	315	316	386	78.5	78.9	96.2
Rate (percentage of labor force)	5.2	5.2	6.4						
Rate, seasonally adjusted				5.5	5.6	6.8			
Civilian labor force, no. of persons (thous.)	5,829	5,708	5,677	5,701	5,678	5,651	109.5	109.1	108.5
Initial claims for unemployment benefits	63,113	61,714	90,001	80,122	78,832	112,576	56.0	55.1	78.6

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986		
	August	*September*	*September*	*Month Ago*	*Year Ago*
U.S. city average	342.7	344.4	330.2	+0.5	+4.3
Philadelphia	342.2	342.8	325.8	+0.2	+5.2
Pittsburgh	341.7	n.a.	330.1†	n.a.	+3.5

[1] Total includes workers on strike. * = figure revised † = figure for August 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1986-1987 (Jan.-Sept. period) labor force, employment, and unemployment growth for the 15 PA metropolitan areas (in thousands; numbers in parenthesis represent pct. changes)

				Unemployment rate (percent)	
	Labor force	Employment	Unemployment	1986	1987
AB	− 9.2 (−2.9)	1.8 (0.6)	−11.1 (−42.6)	8.1	4.8
ALT	− 1.0 (−1.8)	0.5 (0.9)	− 1.5 (26.1)	9.8	7.4
BVR	− 3.4 (−5.1)	− 1.4 (−2.5)	− 2.0 (−22.6)	13.2	10.8
ERIE	− 2.4 (−1.8)	− 0.7 (−0.6)	− 1.6 (−14.3)	8.9	7.8
HLC	4.1 (1.4)	9.3 (3.2)	− 5.2 (−33.3)	5.2	3.4
JOHN	− 1.9 (−2.0)	1.1 (1.2)	− 3.0 (−27.1)	11.6	8.6
LANC	3.4 (1.6)	5.5 (2.8)	− 2.2 (−27.6)	3.8	2.7
PHIL	18.4 (0.8)	37.1 (1.7)	−18.7 (−14.3)	5.5	4.7
PITT	−10.6 (−1.1)	1.1 (0.1)	−11.7 (−14.6)	8.4	7.3
RDG	− 1.4 (−0.8)	2.8 (1.7)	− 4.2 (−34.4)	7.1	4.7
SWB	− 7.7 (−2.2)	− 1.3 (−0.4)	− 6.4 (−21.2)	8.8	7.1
SHAR	0.0 (0.1)	0.6 (1.3)	− 0.6 (−13.5)	8.6	7.5
SC	0.3 (0.5)	0.9 (1.7)	− 0.6 (−17.8)	6.4	5.2
WMPT	0.4 (0.7)	1.4 (2.8)	− 1.1 (−25.5)	7.5	5.6
YORK	− 1.1 (−0.5)	2.4 (1.2)	− 3.5 (−29.2)	5.7	4.1

Source: PA Dept. of Labor and Industry; Res. and Stats. Div.

dating back to 1982/1983, the big gainers are definitely located in central and eastern Pennsylvania.

While overall nonagricultural job levels rose in September, resident employment dipped slightly. (This apparent discrepancy may be traced to different sampling sizes and coverage groups. Please see the October 1986 *PBS* for a further discussion.) However, **the changes in employment, unemployment, and the labor force were quite minimal. Given the error ranges associated with the data, all indications are that the situation remained unchanged from the previous month.**

As shown in the accompanying table, **except for a few exceptions, the performance of Pennsylvania metro areas with respect to the employment, unemployment, and labor force situation has been far from spectacular so far this year.** Although the number of unemployed has declined in each of the 15 areas, a drop in the labor force has contributed to that fall in nine cases. Additionally, except in three instances, the year-to-date gains in employment have been less than 2 percent. In fact, in three areas, employment has actually declined this year.

The end result of September's overall economic activity was a slight 0.2 percent rise in the index of coincident indicators which is designed to mirror current economic conditions. However, the index of leading indicators which signals future trends in the overall economy, fell 0.5 percent following four consecutive months of gains.

— *William D. Anderson*

Housing Permits Report

Residential construction activity took a breather during the third quarter, at least according to estimates of housing permit authorizations for the Commonwealth. Specifically, the number of permits awarded fell 8.8 percent during the July-September period on an annual basis to 16,299, the first such decline since the first quarter of last year. All of the decline is attributable to a drop in multi-familiy permits. Single-family permit authorizations held steady compared to a year ago at 14,162 for the quarter. Still, for the year as a whole, activity is up. Through 1987's first nine months, total authorizations have increased 7.9 percent from the same period a year ago. However, this does represent a rather significant drop-off in growth from last year's 20 percent gain in the first three quarters of the year. (Comparisons to year ago data are necessary because of the significant seasonal component in housing statistics. As a result, comparisons with the previous quarter may lead to misleading conclusions.) Similar trends are evident with respect to the value of housing permits authorized as growth slowed considerably in the third quarter. On a brighter note, Pennsylvania again fares well relative to the situation at the national level.

Given the uncertainty in the overall economy's health brought on by recent volatility on Wall Street, it is doubtful that construction will pick up in the near future in Pennsylvania or the U.S. Both builders and buyers will move forward with caution in light of concerns about a possible recession on the horizon.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIIQ	16,299	−8.8	14,162	0
1987:IIQ	17,902	9.2	15,841	10.4
1987 YTD	45,465	7.9	38,934	10.3

Source: U.S. Dept. of Commerce, Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIIQ	1,055,200	7.9	976,000	14.4
1987:IIQ	1,157,351	25.0	1,078,088	26.8
1987 YTD	2,883,451	24.5	2,638,917	26.7

Source: U.S. Dept. of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

The economy of the four-county Allentown-Bethlehem region turned in an encouraging third quarter performance after a sluggish first half of 1987. But still, the area's performance over the past several years does not stack up all that well next to many other regions. For instance, nine of the 15 Pennsylvania metro areas have realized stronger gains in nonagricultural jobs since the recovery began in 1982 and 1983. Additionally, seven have turned in stronger performances when measured against 1979, the most recent peak in the business cycle.

After dipping 0.3 percent during the first six months of this year on an annual basis, the region recorded a 2.3 percent employment gain in the July-September period compared to a year ago. However, for the year as a whole, the 0.6 percent gain in employment is the fifth lowest among the State's 15 metro areas. Similarly, despite the inflow of population from the east, the 2.9 percent year-to-date drop in the labor force is the second highest drop in the State. Because of these rather disturbing trends, it is wise not to get too excited about recent declines in the jobless rate. The improvement is simply not the result of a favorable showing on the employment front.

The inflow of residents from the New York/New Jersey region partly accounts for the 22 percent rise in residential construction contracts awarded through the first three quarters of the year on an annual basis. The increase compares quite nicely with the 4.1 percent gain for the State as a whole. Furthermore, the number of permits authorized for residential housing units rose nearly 25 percent on a year-to-date basis through the first half of this year, the latest data available.

Nonmanufacturing continues to carry the load with respect to generating new jobs. For the year, jobs in these establishments are up 4.9 percent. This encouraging performance is at least partly the result of the population inflow and the associated increase in demand for services and the impact on such industries as retail trade and banking. The situation remains worrisome with respect to manufacturing. The current downward trend in jobs began about mid 1984. The number of manufacturing positions fell 3.6 percent in 1985 and 9.3 percent last year. So far in 1987, the decline has amounted to 4.3 percent. Hence, although manufacturing job levels remain at what amounts to an all-time low, it may be argued that the worst is behind us. This minimal amount of optimism is further fueled by slight third quarter gains in the factory workweek and electricity sales to industry as both stand at relatively high levels.

These divergent performances in manufacturing and nonmanufacturing represent a continuation of the structural shift taking place in the economy. As of 1977, manufacturing accounted for 42 percent of all nonagricultural jobs, with durable goods accounting for 22.4 percent. Currently, manufacturing's share is 28.6 percent with durable goods accounting for just 13.2 percent.

Allentown-Bethlehem Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	 2 Q. '87	 3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	307.7	111	109	108
Unemployed, no. of residents	14.1	67	67	108
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	321.8	108	106	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	271.8	106	105	102
Nonmfg. only, no. of jobs	195.2	131	130	124
Mfg. only, no. of jobs	76.6	71	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	104	102	102
Industrial electric power sales				
Metropolitan area	...	112	106	108
Allentown	...	102	99	97
Bethlehem	...	118	112	117
Easton	...	112	108	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	266.6	+22		
Nonresidential contracts only	109.9	−10		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

Little change occurred in the economy of the Scranton-Wilkes-Barre region during the third quarter as employment, unemployment, and industry job levels held steady. Although the region's economy remains on a slight upward track, uncertainty in the nation raises concerns about what the coming months will bring.

Nonagricultural job levels failed to advance at a pace typical of the robust summer months, as evidenced by seasonally adjusted declines in the number of positions in these establishments. However, they have been on the rise over the past several years, but the gains which have occurred mask a great deal of variation in performances across industries. Manufacturing jobs continue to drift downward, but unlike the situation in the State, the durable goods industries show modest job gains. While jobs in these establishments have declined Statewide since the national economic recovery began in 1982/1983, they have increased 6.2 percent in the region. Much of the bad news comes on the nondurable goods side where a 10.2 percent decline was recorded in the five-county region during that time. Not surprisingly, the area's largest industry, apparel, has been especially hard-hit, losing nearly 30 percent of its jobs. Still, the job losses for manufacturing as a whole since the most recent trough in the business cycle are less than one-half the losses for the State.

The ability of nonmanufacturing to generate jobs remains encouraging as record high job levels have been maintained throughout the recovery. So far this year, a 1.9 percent gain in the number of nonmanufacturing positions has been realized, considerably less than the 3.4 percent advance for all of Pennsylvania. However, the region has slightly exceeded the State in terms of nonmanufacturing job gains over the recovery period. Construction appears to be turning in an impressive performance. The value of both residential and nonresidential construction awards is up on a year-to-date basis. At the same time, construction jobs have grown 3 percent.

Despite encouraging signs in nonmanufacturing and portions of manufacturing, there is little good news on the employment/unemployment front so far this year although the jobless rate has dropped from 8.8 percent during the first nine months of last year to 7.1 percent so far in 1987. Over that period, the number of employed residents actually fell by 1,300. However, a drop in the labor force of 7,700 paved the way for the drop in unemployment.

Williamsport

The Lycoming County economy continued to move forward during the third quarter as nearly all sectors contributed. This is encouraging given the uneven performance turned in by the State. Furthermore, third quarter's results represent a continuation of impressive performances and were not a "one-time only" occurrence. In fact, the region's gain in nonagricultural job levels since the recovery began is the fourth highest among the Commonwealth's 15 metropolitan areas.

Nonmanufacturing continues to show healthy gains as job

Scranton-Wilkes-Barre Area[1]

	Ave. mo value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	326.3	112	112	112
Lackawanna County[2]	100.6	109	108	109
Luzerne County[3]	146.4	108	107	108
Unemployed, no. of residents				
Metropolitan area	22.5	71	70	90
Rate, seasonally adjusted	6.6			
Lackawanna County[2]	6.4	63	57	81
Luzerne County[3]	12.2	75	77	94
Civilian labor force, no. of residents				
Metropolitan area	348.8	108	108	110
Lackawanna County[2]	107.0	104	103	106
Luzerne County[3]	158.6	104	104	106
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	286.9	109	109	108
Nonmfg. only, no. of jobs	215.6	120	120	118
Mfg. only, no. of jobs	71.2	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	109	107
Lackawanna County[2]	***	128	122	118
Luzerne County[3]	***	101	98	96
Hazleton	***	96	91	88
Wilkes-Barre	***	103	102	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	187.5	+ 6		
Nonresidential contracts only	116.8	+36		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties

[2] Includes Scranton

[3] Includes Wilkes-Barre and Hazleton

[4] Excludes Wyoming County

levels have advanced at a 4 percent annual clip for the first three quarters of 1987 compared to 3.4 percent for Pennsylvania. After accounting for the normal seasonal patterns which occur, the number of positions in these establishments have remained at a record high since the second quarter of 1985. Compared to the first nine months of 1986, about 1,300 nonmanufacturing jobs have been added so far this year. Gains have been realized in nearly all broad industry groupings as the construction and mining (200 new jobs), trade (500), finance (100), services (300), and government (100) groups have each played a role. Given the gain in job levels and a rise in residential housing units authorized by building permits from 31 in the first half of 1986 to 54 during the first six months of this year, the decline in the value of construction contracts awarded are probably not very indicative of the construction situation.

Even more impressive is manufacturing's performance. Job levels are up 7.1 percent on a year-to-date basis, an astonishing result in light of the 1.6 percent decline realized in the State. After adjusting for seasonality, the 16,700 positions maintained in these establishments during the July-September period represent the highest total since 1980:IQ. However, during the decade of the 1970s, which is as far back as data go, job levels were never as low as this year's third quarter reading. In all likelihood, it is doubtful that this "lost ground" will ever be made up in total. The fact that industrial electricity sales, a good barometer of production trends, were at a level equal to only 86 percent of 1977 averages provides further evidence that manufacturing activity has dropped over the past several years.

Williamsport Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	56.5	118	114	112
Unemployed, no. of residents	2.6	66	58	82
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	59.1	113	109	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.3	109	108	103
Nonmfg. only, no. of jobs	33.6	120	118	114
Mfg. only, no. of jobs	16.7	93	91	86
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	106	107	102
Industrial electric power sales	***	86	85	86
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.4	− 1		
Nonresidential contracts only	9.8	−75		

[1] Lycoming County

As a result of the strong showing in the overall economy, resident employment is on the rise as it surpassed 56,000 for the first time in the third quarter. Additionally, the 2.8 percent employment gain realized so far this year is the second highest among the State's metro areas. As a result, despite a slight seasonally adjusted rise during the most recent three-month period, the jobless rate has fallen from 7.5 percent during last year's first nine months to 5.6 percent this year.

Southwestern Quarter

Altoona

Economic conditions improved in Blair County during the third quarter, especially on the employment front, but one is hard-pressed to argue that the economy is without problems. Although gains have been made, room remains for improvement. Indeed, the Altoona metro area is one of six in the State to have yet to reach pre-recessionary levels of nonagricultural jobs. However, gains recorded since the trough of the business cycle exceed those for the Commonwealth but trail those for much of central and southeastern Pennsylvania.

Nonmanufacturing is doing its fair share. Measured from the 1982/1983 period, job levels are up by 3,900. After adjusting for seasonality, the number of positions maintained in nonmanufacturing has hovered just under the record high set in 1978:IIIQ. The big gainers this year have been trade and services as each have generated 400 new jobs. These two industries have been outperforming the economy in general for the past several years. Services accounted for 15.6 percent of all jobs in 1977 compared to 20.6 percent this year. Trade's share over that time has increased from 21.7 to 25.2 percent.

Meanwhile, manufacturing is struggling just to hold its own as job levels are down from 1982/1983 readings. However, the region's performance relative to the State's over that

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	56.5	105	103	102
Unemployed, no. of residents	3.8	106	98	126
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	60.2	105	103	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.8	99	98	96
Nonmfg. only, no. of jobs	40.5	104	103	101
Mfg. only, no. of jobs	11.3	85	84	84
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	103	104	102
Industrial electric power sales	***	78	77	75
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	11.9	– 27		
Nonresidential contracts only	22.0	+ 100		

[1] Blair County

period is somewhat encouraging. While Blair County manufacturing jobs have declined less than 1 percent, an 8.6 percent loss has occurred throughout the Commonwealth. Although it is considerably less than the State's 40.9 hours, Altoona's 39.3 hour average factory workweek in the third quarter is quite high in historical terms which may help prop up job levels in the coming months. However, manufacturing is especially vulnerable to downturns in the national economy. Should the recent volatility on Wall Street be signalling a slowing of growth, Altoona's manufacturing sector will be impacted.

Another sector vulnerable to macroeconomic trends is construction. Most evidence suggests that activity has picked up during the past several quarters. So far this year, construction and mining jobs are up by 300 and the value of nonresidential contracts awarded has doubled. However, based on the value of contract awards and the number of units authorized by permits, residential activity may have topped out.

Much is made of the decline in the region's jobless rate. However, such optimism may be premature in light of trends in employment. While the jobless rate has dropped 2.4 percentage points between the first nine months of last year and this year, employment has remained essentially unchanged. Much of the drop in unemployment is because of a reduction in the labor force, a trend not typical of an expanding economy. Still, third quarter trends represent a fair amount of improvement over a relatively sluggish first half of the year.

Johnstown

A majority of indicators suggest that the economy of the Cambria-Somerset County region moved forward during the third quarter: seasonally adjusted employment was up by 1,600 from second quarter levels, the labor force was up by 2,300, nonagricultural job levels were up by 1,000, and electricity sales to industry rose. However, the region is still struggling to regain ground lost earlier in the decade and it continues to lose ground relative to those regions to the east.

The long-run deterioration in the economy is usually attributed to manufacturing's difficulties as job levels are about one-half of what they were only two decades ago. This hides the fact that the current situation finds manufacturing holding its own as about 400 positions have been added so far this year. Although the sector is adding jobs while the rest of the State is losing them, the fact that it is growing from such a low base makes it difficult to get too excited about recent trends. It seems that the economy is still reeling from structural changes, the bulk of which have already occurred, and what growth there has been of late still leaves a great deal of ground to be made up.

The region's nonmanufacturers have held up fairly well. While pre-recessionary job levels have yet to be reached, growth has occurred over the course of the recovery. Third quarter's 66,500 positions represents the highest level since 1981:IQ after adjusting for seasonality. Since the 1982/1983 trough, jobs have grown 4.4 percent. However, a 12.4 percent gain was turned in by the Commonwealth. Again, despite the fact that growth has occurred, the region is losing ground in relative terms. Construction is holding its own as nearly 300 jobs have been added to payrolls this year and housing units authorized by permits were essentially unchanged during the first half of 1987 compared to a year ago. Hence, the decline in the value of contract awards, which are subject to wide swings, recorded so far this year are probably not very indicative of trends in construction activity.

Employment of the region's residents shows similar modest gains. In that they provide an excellent illustration of why caution is required in interpreting changes on the employment/unemployment front, third quarter trends deserve a review. In seasonally adjusted terms, the jobless rate rose from 8.1 percent in the second quarter to 8.6 percent in the third. However, at the same time, the previously mentioned employment gain occurred. In essence, the rise in the jobless rate is attributable to a solid gain in the labor force, which, in light of recent trends, is somewhat encouraging.

Pittsburgh-Beaver Valley

The four-county Pittsburgh region has realized a fair amount of economic growth over the past several years, but when compared to the performance turned in by the State, it is clear that problems remain. Unfortunately, it is difficult to argue

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	89.7	90	89	88
Unemployed, no. of residents	7.3	76	71	93
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	96.9	89	87	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.5	89	88	87
Nonmfg. only, no. of jobs	66.5	98	97	95
Mfg. only, no. of jobs	13.0	61	60	60
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	100	99	99
Industrial electric power sales	***	161	157	167
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.2	– 37		
Nonresidential contracts only	27.5	– 47		

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	902.9	102	101	101
Beaver County	56.8	66	65	67
Unemployed, no. of residents				
Pittsburgh[1]	65.5	105	104	119
Beaver County	7.1	108	99	107
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.0			
Beaver County	11.4			
Civilian labor force, no. of residents				
Pittsburgh[1]	968.4	102	101	102
Beaver County	63.9	69	67	70
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	856.2	98	98	97
Beaver County	50.3	66	66	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	730.0	111	112	110
Beaver County	40.6	108	106	105
Mfg. only, no. of jobs				
Pittsburgh[1]	126.0	57	58	58
Beaver County	9.8	25	25	29
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.4	n.a.	n.a.	n.a.
Beaver County	41.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	65	57	55
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	343.4	−14		
Beaver County	9.2	−51		
Nonresidential contracts only				
Pittsburgh[1]	448.7	+ 3		
Beaver County	6.2	−59		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

that growth has occurred at all in Beaver County. Most evidence suggests that it has yet to recover from the back-to-back recessions of the early 1980s.

The Pittsburgh region is one of six metropolitan areas in Pennsylvania to have yet to reach pre-recessionary nonagricultural job levels. Nonmanufacturing's gains have barely offset manufacturing's losses over the recovery and the area's gain since the 1982/1983 trough is the third lowest in the State. Since then, 39,000 manufacturing jobs have been lost while 42,000 nonmanufacturing jobs have been generated. Durable goods manufacturers have lost 35,000 jobs while 4,000 jobs have been eliminated from nondurable payrolls. On the nonmanufacturing side, the big gainers have been finance (up 5,600), trade (13,400), and services (32,300). Through the first three quarters of this year, 15,100 nonmanufacturing jobs have been added compared to the same period in 1986 and 4,700 manufacturing jobs have been lost.

Beaver County trends have been discouraging. More than a third of all nonagricultural jobs have been lost since 1979. Furthermore, the region is the only metro area to have lost jobs since the "recovery" began. Although nonmanufacturing jobs have been growing, they have been swamped by losses on the manufacturing side. Over the period dating back to the trough in the business cycle, nonmanufacturing jobs have grown 5.4 percent, less than half the increase recorded for all of Pennsylvania. Manufacturing establishments maintain less than half the number of jobs on payroll at that time. Similar trends are evident so far this year as 1,400 manufacturing jobs have been lost but only 500 nonmanufacturing positions have been added.

Declines in jobless rates need to be put in perspective. While a year-to-date decline of 1.1 percentage points has occurred in Pittsburgh and a 2.4 point reduction has been realized in Beaver County, employment has been growing sluggishly. In Pittsburgh, employment so far this year is up by 1,100 from the first nine months of last year yet unemployment has declined by 11,700. In Beaver County, employment has declined by 1,400 this year. The drop in unemployment has not been the result of especially positive trends. These same patterns are evident over the long-run as well. In the Pittsburgh region, the unemployment rate has dropped from 13.2 percent earlier in the decade to 7.3 percent this year. Over that time, employment has expanded by 11,700 and the number of unemployed has plunged by 63,400. Clearly, a declining labor force is accounting for a significant share of the drop in unemployment.

Evidence with respect to construction trends is mixed. Through the first half of this year, the number of residential units authorized by permits was down in Beaver County but up in Pittsburgh. Through the first three quarters of the year, construction job levels were up in both regions. Except for a very slight gain in the nonresidential sector in the Pittsburgh region, the value of contracts awarded is down. Of these three indicators, job totals are probably the most reliable, so it is safe to say that activity is at least holding steady and probably rising slightly.

State College

Although the growth in overall activity may have slowed somewhat in Centre County so far this year, the region continues to move forward and it is apparent that it remains the strongest economy in western Pennsylvania. For instance, the 1.7 percent year-to-date employment gain has only been surpassed by regions in the southeastern portion of the State along with Williamsport. This paved the way for a reduction in the unemployment rate from 6.4 percent during the first three quarters of 1986 to 5.2 percent so far this year. Additionally, the region is one of only six metro areas to have realized a gain in the labor force so far this year.

Although it is probably safe to assume that the growth in construction activity is slowing, the declines in the value of contracts awarded so far this year (28 percent on the residential side and 25 percent in the nonresidential sector) are somewhat misleading. While these declines have been occurring, the number of new housing units authorized by permits rose during the first half of the year and construction job levels have grown by 200 on a year-to-date basis.

Despite the fact that nonagricultural job levels fell on a seasonally adjusted basis for the first time since the final quarter of 1984 during this year's July-September period, the gains recorded so far this year have been larger than in the State as a whole. Leading the way has been nonmanufacturing. Despite third quarter's drop, job levels are up 4.1 percent so far this year compared to a 3.4 percent gain in the State. Manufacturing, however, is losing ground, at least in

State College Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	56.2	133	132	129
Unemployed, no. of residents	2.8	118	110	132
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	59.0	132	130	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.7	128	129	124
Nonmfg. only, no. of jobs	44.4	131	132	126
Mfg. only, no. of jobs	7.2	113	113	114
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	118	109
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	46.2	−28		
Nonresidential contracts only	25.6	−25		

[1] Centre County

employment terms, as job levels are down about 2.2 percent so far this year.

Job trends over the past several years have been quite encouraging. Although manufacturing has struggled, the strength in nonmanufacturing has enabled the State College metro area to realize the second highest growth rate in nonagricultural jobs since the national recovery began in 1982/1983.

Northwestern Quarter

Erie

The Erie County economy followed up a relatively sluggish first half of the year with some better news during 1987's third quarter. Employment of the region's residents grew at a stronger rate than normal over the summer and lags the record high readings immediately preceding the recessions of the early 1980s by only a small margin. Despite third quarter's performance, employment and labor force levels maintained so far this year still trail year-ago readings, tempering much of the optimism associated with the declines in unemployment recorded through the first three quarters of the year. Erie is one of only three metro areas around the State to have suffered a decline in employment so far this year.

Third quarter improvements were also evident with respect to nonagricultural job levels. After growing at a 0.6 percent annual rate during the first half of the year, a 1.6 percent gain was registered during the July-September period. But again, there is cause for concern. Pre-recessionary job levels have yet to be reached and the gain recorded since the 1982/1983 trough is among the lowest in the State. Nearly all of the improvement which has occurred over the recovery period is attributable to nonmanufacturing. Although this summer's results were somewhat disappointing, as illustrated by the seasonally adjusted decline in job levels, year-to-date trends show that sectoral employment has grown 2.4 percent. These gains, however, trail the 3.4 percent advance turned in by the Commonwealth.

Erie Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	120.9	106	105	105
Unemployed, no. of residents	9.1	107	102	126
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	130.1	106	105	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	111.0	100	100	99
Nonmfg. only, no. of jobs	76.2	112	113	110
Mfg. only, no. of jobs	34.4	80	79	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.0	102	101	101
Industrial electric power sales	***	111	108	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+20		
Nonresidential contracts only	43.3	+ 8		

[1] Erie County

Job losses may be slowing on the manufacturing front. After falling 3.3 percent last year, manufacturing job losses have declined steadily through the first three quarters of 1987 and there was a slight uptick in seasonally adjusted manufacturing positions during the most recent three-month period. A high average factory workweek and steadily advancing industrial power sales also suggest that these all-important industries may regain some of their health. However, it is doubtful that many of the jobs lost over the past several years will soon return. Even if this sector does recover, recent cost-cutting efforts and productivity gains will result in a minimal amount of new jobs.

For the most part, the signals coming from the construction industry suggest that activity is at least holding its own. Year-to-date contract awards are up in both the residential and nonresidential sectors and jobs are up by about 300. On the other hand, the number of housing units authorized by building permits was down during the first half of the year.

Given recent trends in the national economy, it is even more difficult to forecast future trends in the Erie region than is normally the case. The consensus forecast is that growth in the U.S. as a whole will slow in coming months. Should this occur, Erie will not be exempt. Beyond that, whether or not the nation can avoid a recession will be the main factor impacting upon the performance of Erie County.

Sharon

Third quarter trends show that modest growth continues to best describe economic conditions in Mercer County. In fact, recent trends may even be interpreted somewhat positively. However, the long-term performance of the region over the past several years leaves something to be desired. For instance, only one other metropolitan area in Pennsylvania, Beaver County, has turned in a poorer performance with respect to nonagricultural job growth since the 1982/1983 period than the Sharon region. Additionally, job levels are still over 10 percent below pre-recessionary levels.

So far this year, nonagricultural jobs have expanded at a 2.1 percent annual rate, only slightly below the State's 2.3

percent advance. Nonmanufacturing has provided the vast majority of these new jobs as 1,200 new positions have been added in these establishments through the first nine months of this year as job levels settled at 31,800 in the third quarter. The services and trade industries have both made significant contributions to these gains. There was some good news on the manufacturing front during the third quarter as job levels rose on a seasonally adjusted basis for the second straight period. Still, payroll jobs are down for the year as a whole and sectoral employment levels are off by more than 40 percent from the mid 1970s as the service producing industries have been providing essentially all new jobs.

The rather large declines in the value of construction contracts awarded (59 percent on the residential side and 22 percent for nonresidential projects) probably do not provide a representative picture of trends in the region. Through the first nine months of the year, 200 construction jobs were added compared to a year ago. Furthermore, housing permit data, which is only available through the first half of the year, show that more housing units were authorized by permits this year than in the same period in 1986.

The overall moderate growth pattern currently taking shape in the Sharon metro area is brought further into focus by employment and unemployment trends. So far in 1987, employment in the region has grown by 600 from year-ago readings. Given that the labor force is unchanged, the number of residents counted as unemployed fell by the same amount and the jobless rate dipped from 8.6 percent during the first three quarters of last year to 7.5 percent so far this year. This is certainly not a poor performance, but it leaves considerable ground to be made up.

Sharon Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	48.0	97	96	94
Unemployed, no. of residents	3.3	90	80	105
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	51.3	97	95	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.3	92	91	89
Nonmfg. only, no. of jobs	31.8	110	111	106
Mfg. only, no. of jobs	9.5	58	56	57
Hrs. worked by production workers in mfg., *ave. weekly*	42.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	113	111	98
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	6.5	−59		
Nonresidential contracts only	15.4	−22		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

There appears to be little to be concerned about with respect to economic conditions in the Harrisburg-Lebanon-Carlisle metropolitan area as another impressive performance was turned in during the third quarter. Perhaps the best news is that all sectors appear to be making a contribution. This is even true for manufacturing where the gains recorded this past summer were stronger than normal pushing job levels up on a seasonally adjusted basis. In fact, while the number of manufacturing jobs in Pennsylvania has declined 1.6 percent this year, job levels have grown 1.3 percent on a year-to-date basis in the four-county region for a gain of 700 positions. Furthermore, while there is no denying that the trend in manufacturing jobs over the past several years has been down, the losses have not been as severe in the metro area as in the Commonwealth as a whole.

Nonmanufacturing's performance has been especially impressive as job levels have grown 4 percent through the first three quarters of this year compared to a 3.4 percent gain in the the State. Not surprisingly, nonmanufacturing job growth over the past several years has been stronger in the region than in Pennsylvania. As a result of the above average job growth experienced in the region's nonagricultural establishments, it now accounts for about 6 percent of the State's nonagricultural jobs compared to 5.4 percent in 1979.

Within nonmanufacturing, the construction industry has turned in a solid performance so far in 1987. The value of contracts awarded has increased on a year-to-date basis in both the residential and nonresidential sectors this year, including a very impressive 139 percent gain on the nonresidential side. At the same time, job levels are up by about 1,000 from a year ago.

The end result of this favorable performance has been solid gains in resident employment and declines in unemployment. In fact, the 309,100 residents counted as employed during the July-September period represents another record high and the seasonally adjusted 3.2 percent unemployment rate for the period is the second lowest among the State's 15 metropolitan areas. Furthermore, the 3.2 percent year-to-date gain in employment this year is the strongest among the metro areas. For the year, 9,300 more people have been employed compared to a year ago which helped lower unemployment by 5,200 residents and absorb an increase in the labor force

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	309.1	120	118	115
Unemployed, no. of residents	9.7	65	64	90
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	318.8	117	115	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	296.7	119	119	115
Nonmfg. only, no. of jobs	244.5	126	126	122
Mfg. only, no. of jobs	52.2	95	93	92
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	86	75	70
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	162.3	+ 3		
Nonresidential contracts only	262.1	+139		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	214.5	133	130	128
Unemployed, no. of residents	5.9	73	66	89
Rate, seasonally adjusted	2.7			
Civilian labor force, no. of residents	220.4	130	127	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	181.5	128	127	123
Nonmfg. only, no. of jobs	121.0	143	141	135
Mfg. only, no. of jobs	60.4	106	105	104
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	101	102	101
Industrial electric power sales	***	142	132	131
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	166.6	−10		
Nonresidential contracts only	53.6	+54		

[1] Lancaster County

of 4,100.

Perhaps the major potential problem on the horizon may be difficulties at the national level. As has been pointed out several times in this *Survey*, national developments will play a major role in the future health of Pennsylvania's regional economies.

Lancaster

The economy of the Lancaster metropolitan area continued to show solid gains on just about all fronts during the third quarter and ranks at or near the top of the list in nearly every measure of activity. For example, nonagricultural job growth over the course of the business cycle, whether measured against the most recent peak in 1979 or the most recent trough in 1982/1983, has been stronger in Lancaster County than in any of the State's 14 other metro areas.

Both manufacturing and nonmanufacturing have been contributing to the region's job gains. While the Commonwealth's loss of manufacturing jobs over the past several years is well-publicized, Lancaster County has added 4,400 jobs since the trough including 1,500 so far this year. Durable goods industries have accounted for 1,100 of these new jobs generated this year. Additionally, in 11 of the 13 manufacturing industries at the two-digit SIC level for which data are available, job levels were equal to or higher than year ago readings in September. After adjusting for seasonality, manufacturing jobs have increased in seven of the past eight quarters and are only slightly below record high readings.

The picture on the nonmanufacturing side is even more encouraging as 22,500 jobs have been created since the 1982/1983 trough, including 6,200 so far in 1987. The region's service-producing industries account for 4,900 of this year's new jobs. Nonmanufacturing job levels have increased in 19 of the past 20 quarters on a seasonally adjusted basis and reached 121,000 for the first time during the July-September period.

Lancaster County is also turning in a solid performance with respect to resident employment and unemployment. The 2.8 percent year-to-date gain in employment registered this year is the second highest in the Commonwealth and the 1.6 percent gain in the labor force is the strongest. Furthermore, despite very slight seasonally adjusted increases in each of the past two quarters, the jobless rate has dropped from 3.8 percent during the first nine months of 1986 to 2.7 percent this year as employment has increased to record high levels.

Construction is apparently benefiting from the overall economy's gains. Jobs are up by 1,200 compared to 1986 and nonresidential construction contract values have advanced 54 percent. While residential contract values declined 10 percent through the first nine months of this year, the number of new housing units authorized by permits was up, at least through the first half of the year.

Philadelphia

Pennsylvania's largest economy, the eight-county Philadelphia metropolitan area, continued to turn in a solid growth performance during this year's third quarter. For example, at a seasonally adjusted 4.6 percent, the region's jobless rate was a full percentage point below the State's reading and has been cut in half over the course of the current recovery.

The mirror image of this decline has been a solid showing on the employment front. So far this year, employment has increased 1.7 percent, one of the strongest gains in the State, to surpass the 2.3 million mark for the first time. Since the trough of the business cycle in 1982/1983, resident employment has advanced 12.1 percent compared to 8.4 percent in Pennsylvania as a whole.

Essentially all jobs generated in the region as of late have come in the nonmanufacturing sector where job gains over the past quarter-century have only been slowed during periods of national recession. Even then, job levels held fairly steady. So far this year, the number of nonmanufacturing positions has grown 4.1 percent, 0.7 percentage point greater than the State's advance and the strongest gain in more than a decade.

While manufacturing has struggled relative to nonmanufacturing's encouraging showing and the trend in jobs over the past several years has been downward, the region has held up fairly well relative to Pennsylvania's showing. Job levels

Philadelphia Area[1]

	Ave. mo. value 3 Q. '87	Average monthly index seas. adj. (1977 = 100) 3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	2328.4	122	121	120
Unemployed, no. of residents	113.8	62	60	68
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	2442.2	117	116	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2163.3	119	118	115
Nonmfg. only, no. of jobs	1785.1	130	128	124
Mfg. only, no. of jobs	378.0	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	103	101
Industrial electric power sales	***	107	105	100
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1535.7	+19		
Nonresidential contracts only	1433.6	+57		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

have been at or near record lows for over a year, but declines do seem to be lessening. Over the 1980-1986 period, manufacturing jobs fell in every year but one. Of those six declines, only one, in 1985, was less than this year's 1.7 percent year-to-date loss. Furthermore, both the average factory workweek and electricity sales to industry stand at or near record high readings.

Partly as a result of the economy's solid performance, construction activity in the region is on the rise. The value of construction contracts awarded has turned in nice gains of 19 percent on the residential side and 57 percent on the nonresidential side through the first nine months of the year. Construction jobs have averaged 101,500 this year compared to 91,000 a year ago.

The recent strength in the Philadelphia metro area, and for that matter, in all of southeastern Pennsylvania, has resulted in a new concern: a labor shortage. This is quite surprising given the extremely high unemployment rates of just a few years ago. However, current concerns are legitimate and are yet another sign of the impressive recovery on the part of the region.

Reading

The Berks County economy turned in another strong showing in this year's third quarter and, barring a recession in the national economy, appears poised to continue to expand at a sustainable pace into the near future. Perhaps the best piece of news comes from manufacturing where most indicators suggest that the worst is behind those industries. In fact, while Pennsylvania continues to lose jobs in these establishments, the Reading metro area has been able to hold its own with respect to job levels over the past year. Manufacturing job levels have been hovering in a narrow band around the 48,000 mark since the beginning of 1986 although this is very close to a record low. At best, job levels may drift slightly upward in coming months. It is quite doubtful that a significant portion of the jobs lost over the past several years will return anytime soon in light of cost-cutting programs and productivity improvements. Other indicators of manufacturing's health, the average factory workweek and electricity sales to industry, provide further evidence of stability.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	164.8	120	118	117
Unemployed, no. of residents	6.8	78	80	113
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	171.7	117	116	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	147.7	113	112	109
Nonmfg. only, no. of jobs	99.2	124	123	119
Mfg. only, no. of jobs	48.5	95	95	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.1	105	104	104
Industrial electric power sales	***	138	133	129
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	76.2	−25		
Nonresidential contracts only	34.3	−37		

[1] Berks County

Job gains realized in the region as of late have been fueled by the nonmanufacturing sector. Third quarter's 99,200 nonmanufacturing positions represent a record high after adjusting for seasonality as job levels have grown 4.6 percent through the first three quarters of the year compared to 3.4 percent in the Commonwealth. In absolute terms, this represents 4,400 new jobs this year alone. The region's two largest industries, trade and services, have contributed 2,400 of those new jobs. Also making a contribution has been construction. Although the value of contracts awarded is down on a year-to-date basis, construction jobs have increased, as did the number of housing units authorized by permits in the first half of the year, which encompasses the most recent data available.

In sum, trends on the nonagricultural job front have been quite encouraging. Manufacturing's losses have subsided and these industries, at worst, are in a holding pattern, while nonmanufacturing continues to generate jobs at an impressive pace. The net result has been above average growth in total nonagricultural jobs.

Not surprisingly, these positive trends show up in a declining unemployment rate. In fact, the jobless rate has declined on a seasonally adjusted basis in each of the past seven quarters. So far this year, it has dropped to 4.7 percent from 7.1 percent in the first nine months of 1986. However, some of this decline has been the result of a declining labor force. While employment has expanded by 2,800 residents so far this year to a record high, the number counted as unemployed has been reduced by 4,200. This translates into a drop of 1,400 in the labor force. However, the long-run trend in the labor force appears to be up, as evidenced by two consecutive quarterly increases after adjusting for seasonality.

York

Third quarter trends in the York metropolitan area mark a continuation of impressive performances on the economic front and may even represent a slight surge in growth. While employment was up 0.4 percent on an annual basis during the first half of 1987, third quarter found it up 2.8 percent

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q. '87	3 Q. '87	2 Q. '87	3 Q. '86
Employment *(in thousands)*				
Employed, no. of residents	205.7	131	128	127
Unemployed, no. of residents	7.8	78	81	108
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	213.5	128	125	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	169.9	120	118	116
Nonmfg. only, no. of jobs	111.5	135	134	130
Mfg. only, no. of jobs	58.3	98	96	97
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	103	100
Industrial electric power sales	***	119	109	110
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	115.9	+ 3		
Nonresidential contracts only	78.8	+25		

[1] Adams and York Counties

as more than 205,000 residents were counted as employed for the first time ever. Similarly, the jobless rate fell 0.3 percentage point to a seasonally adjusted 3.7 percent following a 0.4 point rise in the second quarter. However, some of the drop in unemployment which has occurred so far this year is attributable to a sluggish showing on the labor force front.

Although the growth in activity may be slowing, trends on the construction front remained mostly positive in the July-September period. The value of construction contracts awarded have increased on a year-to-date basis as have job levels which averaged 8,300 during 1986's first nine months compared to 9,000 this year in the construction industry.

Nonmanufacturing job levels continue to reach record highs on almost a monthly basis. Nearly 4,400 jobs have been added in these establishments so far this year. The service-producing industries account for 3,700 of the new jobs generated in 1987. While nonmanufacturing accounted for 58 percent of all jobs in 1977, its share of nonagricultural positions is currently 66 percent.

While manufacturing is certainly not realizing the job gains found in nonmanufacturing, these industries do appear to be holding their own, especially relative to trends throughout much of the rest of the Commonwealth. Job levels have held steady for about the past two years and were even slightly higher than year-ago readings in the third quarter, the first time that has happened since 1985:IQ. Hence, although these industries are not making a significant contribution to economic growth in the region, they are not subtracting away from overall activity to the same degree that they are elsewhere.

As a result of the solid performance turned in by the region, nonagricultural job gains over the course of the business cycle have been quite impressive. Above average job growth has been realized, whether measured against the most recent peak in 1979 or the 1982/1983 trough.

— *William D. Anderson*

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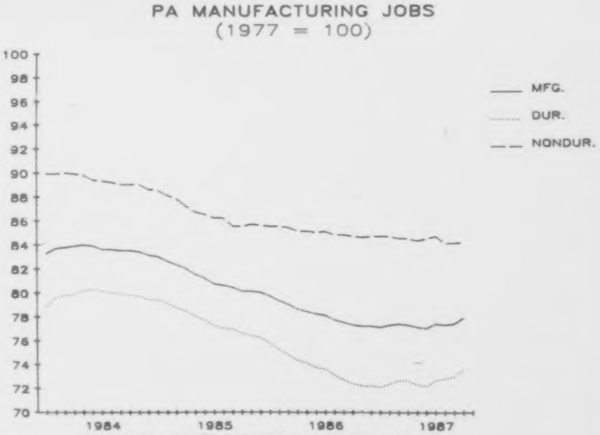
QUALIFIED OPTIMISM WITH RESPECT TO THE PA ECONOMY

All things considered, **the results posted by the Pennsylvania economy during October were fairly impressive** as gains were reported on just about every front. Most indicators suggest that the Commonwealth is following up a relatively sluggish first half of 1987 with some more positive news so far in the second half. Still, the uncertainty at the national level and the disparity in growth in Pennsylvania across regions and industries act to cool at least a portion of the optimism.

Some of this disparity may be lessening, at least with respect to the manufacturing/nonmanufacturing picture, as **the number of workers on payroll in the State's manufacturing establishments is showing slight upward movement**. Specifically, job levels have risen in each of the past two months and in three of the past four to stand at slightly over 1.04 million, seasonally adjusted, for the first time in more than a year. Of special note is the fact that durable goods showed a solid gain of 5,300 jobs during the month, even after adjusting for seasonality (see chart). While this may be only a temporary development, it is nonetheless welcome news, but only time will tell if our optimism is premature. Given that the nation as a whole has already turned the corner with respect to manufacturing jobs, this may well be the start of a similar trend in Pennsylvania. At the least, one may feel confident in stating that the bulk of manufacturing job losses are behind us.

Other indicators of manufacturing's health tracked by the Center for Regional Business Analysis also point to some firming in the sector. Steel production rose for the eighth consecutive month, though by only 100 tons on an average daily basis, the smallest gain over that period. At a seasonally adjusted 40,300 net tons, average daily production in the Commonwealth's mills was at its highest level since the first half of 1984. The good news as of late coming from the steel industry is also reflected in Pennsylvania's share of U.S. production which, at 14.4 percent, was at its highest level since April 1985. Sales of electricity on the part of Pennsylvania's utilities to industry also rose, providing additional evidence of a solid showing on the part of the State's goods-producing industries. Although the historical positive relationship between the average workweek and manufacturing job levels may have broken down (see the August 1987 *Survey*), at least temporarily, the second highest workweek on record, 41.2 hours on a seasonally adjusted basis in October, if anything, will help prop up job levels in the near future.


PA MANUFACTURING JOBS
(1977 = 100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

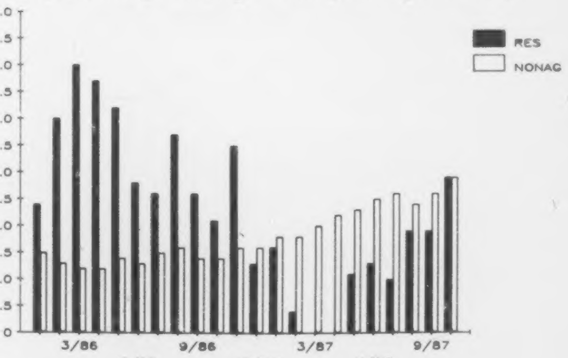
The good news coming from the manufacturing sector, should, however, be qualified a bit. Several factors pointed out many times in the past will help hold down job advances, such as intense foreign competition, and for that matter, competition from other states, productivity improvements on the part of labor, and efforts to hold down costs on the part of producers. In essence, **should our manufacturers regain at least some of their health, it is doubtful that job levels will rise proportionately.**

Elsewhere in the economy, **the situation remains encouraging in the nonmanufacturing sector.** The number of jobs held steady or rose during October on a seasonally adjusted basis in each of the ten broad industry classifications which are tracked by the Center. The correction expected in the State and local government sector based upon an especially strong showing in September (see the November *PBS*) did not occur, at least during October, as job levels rose by a seasonally adjusted 5,100 to 547,000. The largest gain was turned in by the services industry which added 9,000 positions during the month after adjusting for seasonality. Nonmanufacturing's job gains, at a seasonally adjusted 20,300 for the month, alongside manufacturing's encouraging performance helped push total nonagricutural job totals up to 4.97 million, another record high.

Similar trends are evident with respect to resident employment trends as the number of Pennsylvanians counted as employed rose by about 40,000 on a seasonally adjusted basis to settle at 5.4 million, the first time this level has been reached. The resident labor force also rose to a record high during the month, resulting in a slight uptick in the number of unemployed and the jobless rate. However, for the most part, these changes were quite small, and, given another month of little or no change in the data in November, **most signals point to an employment picture holding fairly steady, albeit with near-record numbers of workers.**

As shown in the accompanying chart, there have been some rather obvious discrepencies in the signals being emitted by the two series of data most often cited in gauging employment trends: the resident employment and nonagricultural jobs series. Throughout 1986, the annual growth in the resident employment series was much more pronounced than the growth in nonagricultural jobs. However, that pattern re-

PA RESIDENT EMPLOYMENT AND NONAGRICULTURAL JOB GROWTH, JAN. 1986-OCT. 1987
(percentage change from year-ago month)



SOURCE: BUR. OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,972*	5,016	4,873	4,941*	4,967	4,816	108.2*	108.8	105.5
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,923*	3,967	3,823	3,902*	3,922	3,778	121.0*	121.7	117.2
Mining	32	32	33	31	31	33	63.7	65.0	67.9
Contract construction	245	244	224	228	228	208	124.0	124.1	113.3
Transportation	140	143	142	137	139	138	85.4	86.2	85.9
Public Utilities	106*	106	102	106	106	102	104.9	104.8	101.5
Wholesale trade	275*	277	263	274	276	262	123.8	124.5	118.3
Retail trade	879	885	851	875	876	842	121.9	122.1	117.4
Finance, insurance & real estate	289	289	281	288*	289	281	132.4	133.0	129.3
Service & miscellaneous	1,287*	1,299	1,241	1,281*	1,290	1,232	148.5	149.6	142.8
Federal government	141	141	137	142	142	138	110.6	110.4	107.9
State & local government	529*	553	548	542*	547	542	93.0	93.9	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,045*	1,047	1,040	1,039*	1,045	1,038	77.4*	77.9	77.3
Durable goods	594	596	586	591	596	586	73.0	73.6	72.4
Nondurable goods	452*	451	454	447*	448	451	84.1*	84.2	84.7
Ave. wkly. hrs. worked by prod. workers	40.8*	41.1	40.3	40.7	41.2	40.4	102.9	104.2	102.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	1,047	1,163	616	n.a.	n.a.	n.a.	57.2	57.4	30.5
Industrial electric power sales (mil. kwh)	3,762	3,876	3,471	3,732	3,861	3,454	101.1	104.5	93.5
Mining									
Anthracite coal (thous. net tons)	281	n.a.	333†	261	n.a.	313†	53.4	n.a.	64.0†
Bituminous coal (thous. net tons)	5,668	n.a.	5,053†	5,145	n.a.	4,597†	72.9	n.a.	65.2†
Construction contracts awarded (mil. dols.)									
Total	831.0	891.7	744.3*	801.0	834.8	680.4*	249.0	259.5	211.5*
Residential building	342.8	395.9	364.6*	339.8	362.9	322.7*	241.4	257.8	229.3*
Nonresidential building	312.3	349.2	229.0*	268.9	286.0	171.9*	247.9	263.7	158.5*
Nonbuilding (utilities and public works)	176.0	146.5	149.9*	192.3	185.9	185.8*	265.3	256.4	256.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,411	5,480	5,325	5,362	5,403	5,246	111.6	112.4	109.2
Unemployed									
No. of persons (thous.)	297	307	325	316	337	356	78.9	84.0	88.7
Rate (percentage of labor force)	5.2	5.3	5.8						
Rate, seasonally adjusted				5.6	5.9	6.3			
Civilian labor force, no. of persons (thous.)	5,708	5,787	5,650	5,678	5,740	5,602	109.1	110.2	107.6
Initial claims for unemployment benefits	61,714	69,330	94,980	78,832	73,990	101,263	55.1	51.7	70.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month Ago*	*Year Ago*
	August	*September*	*September*		
U.S. city average	344.4	345.3	330.5	+0.3	+4.5
Philadelphia	342.8	344.1	324.7	+0.4	+6.0
Pittsburgh	n.a.	344.1	331.8	n.a.	+3.7

[1] Total includes workers on strike. * = figure revised † = figure for September 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

GNP and Pennsylvania employment growth over recent business cycles (average annual percent changes)

	PA employment	GNP
12/70–11/73 recovery	1.4	4.7
12/73–3/75 recession	−1.7	−3.5
4/75–1/80 recovery	1.5	4.2
2/80–7/80 recession	1.2	−2.5
8/80–7/81 recovery	0.8	3.1
8/81-11/82 recession	−2.8	−1.8
12/82-pres. recovery	2.3	4.2

Source: U.S. Dept. of Commerce; Center for Regional Business Analysis

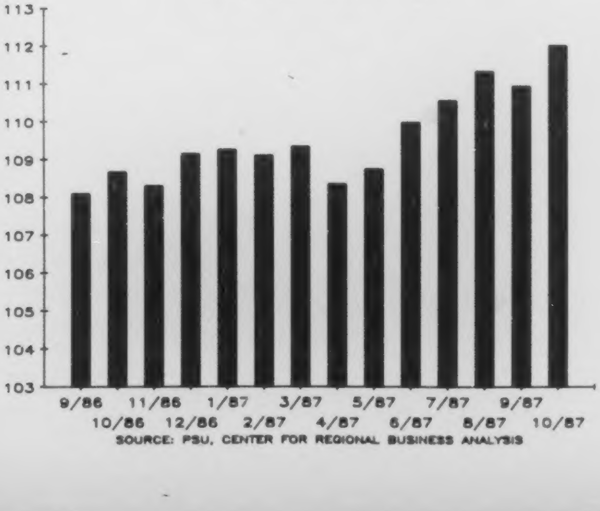
versed itself in 1987. Explanations for these different growth patterns vary, but several factors may be put forth as possible explanations. Clearly, the resident data are considerably more volatile, causing distortions in examining changes. As an aside, the relative lack of volatility shown on the part of the nonagricultural job series may add credence to the belief of many that this is the more reliable series of the two. A recent article in *Business Week* touched upon recent gains in the resident data at the national level, an explanation that may fit the Pennsylvania picture also as the "growth" gap between the two series has narrowed over the past few months. The author of that article contends that as the economy has strengthened, job holders have found full-time positions more plentiful. Whereas, for instance, a given individual may have held two part-time jobs and hence been counted twice in the nonagricultural data and once in the resident data, his or her acceptance of a full-time job, where he or she would only be counted once in both series, reduces the differences in growth.

Recent behavior in both the leading and coincident indexes have been fairly positive. The leading index rose for the fifth time in the past six months while the index of coincident indicators turned in its second consecutive gain and has not declined since June.

Several recent issues of the *Survey* have cautioned against getting too excited about the Commonwealth's economic fortunes by emphasizing the fact that the health of Pennsylvania's economy is extremely dependent on the health of the the nation's economy. As the accompanying table shows, employment growth in Pennsylvania, one of the better indicators of the economy's health, is heavily influenced by the national business cycle. Except for the very brief recession in 1980, **it is quite apparent that Pennsylvania employment growth varies positively with the U.S. business cycle**, as measured by the change in gross national product.

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



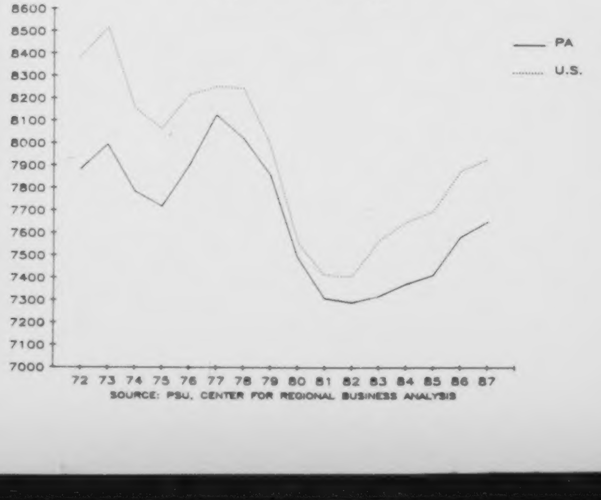
SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Personal Income Report

For the first time in several quarters, the news on the personal income front was somewhat positive during the April-June period of this year in Pennsylvania. Total personal income rose 2 percent on a quarterly basis and 6 percent from the year ago period to settle at $178.6 billion. These gains compare favorably with the 1.2 and 5.1 percent advances recorded at the national level. Much the same may be concluded with respect to trends in nonfarm personal income. However, it is best not to get too excited. Second quarter represents the first time since the first quarter of 1975 that the annual gain in Pennsylvania personal income has been larger than in the U.S. Additionally, the quarterly gain was stronger than the nation's for only the sixth time in the past five years. Hence, more evidence is needed to establish a welcome trend.

We may sound another note of caution by looking at trends in real income, specifically, trends in real earnings per worker. Although this measure of real income falls short of being perfect, it is perhaps the best and most timely available. Recent trends in this indicator suggest that real income is on the rise. Indeed, it has risen, albeit sporadically, on an annual basis in each quarter over the past four years. However, real per worker earnings still trail readings maintained over

PA AND U.S. REAL EARNINGS PER WORKER
(1967 dollars)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

the 1972-1979 period. Furthermore, real per worker earnings in Pennsylvania, as shown in the accompanying chart, have consistently trailed national readings and the gap appears to have widened over the course of the current economic recovery which began in 1982 and 1983.

Pennsylvania personal income (seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1987:IIQ	178,564	2.0	6.0	177,126	1.9	5.8
1987:IQ	175,019	1.7	5.3	173,845	1.6	5.1
1987 YTD	176,792	n.a.	5.6	175,486	n.a.	5.4

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

Retail Sales Report

It was approximately a year ago that most economists were predicting more cautious spending patterns on the part of consumers at the national level because of historically high debt burdens. However, at least according to the retail sales data, which, it should be pointed out, are far from perfect, this has not been the case for most Pennsylvanians as trends remained positive during this year's third quarter in the Commonwealth. All told, sales grew 7.3 percent from the year ago quarter to settle at $18.6 billion. So far this year, sales have advanced at a 6.9 percent clip. As has been the case for the past several quarters, growth in retail sales was stronger in Pennsylvania than in the nation as a whole. Third quarter's gains were spread across both the durable (up 11.2 percent) and nondurable goods (up 5.8 percent) categories.

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct. change from yr. ago	Durable goods	Pct. change from yr. ago	Nondur. goods	Pct. change from yr. ago
1987:IIIQ	18,602	7.3	7,349	11.2	11,353	5.8
1987:IIQ	18,374	8.3	6,944	11.7	11,430	6.4
1987 YTD	52,520	6.9	19,557	11.0	33,063	4.8

September data is preliminary.
Source: U.S. Dept. of Commerce, Bureau of the Census

Although the retail sector remains a strong point in a Pennsylvania economy showing new signs of strength, there are concerns as to the future course of events. We will have to wait to see if these concerns, which are closely linked with Wall Street's well-publicized problems, prove to be legitimate or are another false alarm.

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Pennsylvania Business Survey

January 1988

IMPRESSIVE SECOND HALF CONTINUES

At the least, economic conditions in Pennsylvania held fairly steady in November 1987 and it can be argued that overall activity may have even continued to expand, albeit only slightly. As long as nonmanufacturing remains healthy and manufacturing continues to hold its own, which it has shown signs of doing lately, similar growth is expected over the next several months, especially in light of a clearer picture at the national level.

As was pointed out several times in recent months, problems in the U.S. economy as a whole made forecasting future trends in Pennsylvania especially difficult. There were legitimate concerns of a possible recession in the nation. However, **as more data concerning U.S. economic conditions become available, a recession appears less and less likely, though still not out of the question.** A consensus among most economists has developed which looks for some slowing in growth in 1988 to a less-than-blistering pace, but activity is expected to be strong enough to avoid a slump.

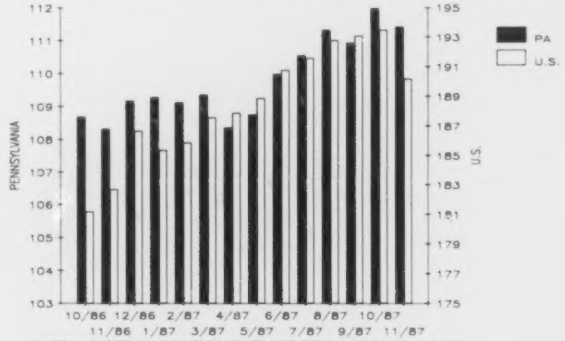
Recent issues of the *Survey* have stressed the relationships between the performance of Pennsylvania's economy and national developments. As shown in the accompanying chart, these "ties" are also apparent in the behavior of the Pennsylvania and U.S. leading indicators. **Although detailed comparisons between the two cannot be made because of differences in components, it is apparent that the indexes behave quite similarly.** This has been especially evident over the past several months. In November, both indexes fell, the U.S. for the first time since January 1987 and Pennsylvania for only the second time in the past seven months. Clearly, November's declines cannot yet be interpreted as the start of a trend.

On a related note, last month the influence of the national business cycle on Pennsylvania employment trends was briefly highlighted. It was concluded that employment growth in the Commonwealth varies positively with the business cycle. A similar illustration this month shows that **employment growth in Pennsylvania is more sensitive to downturns in the nation's economy relative to the U.S. and does not respond to upturns in the business cycle to the same degree as in the nation.** Specifically, U.S. employment growth during each of the four recovery periods which have occurred since 1970 has outpaced Pennsylvania's gains while the Commonwealth's losses have been greater than the nation's in two of the three recessions (see table).

Despite minimal gains from October, November brought with it a continuation of recent trends in that **the second half continued, for the most part, to post impressive results after a rather sluggish first half.** As mentioned above, **it is probably not just a coincidence that the economy began to pick up, albeit slightly, just about the same time that manufacturing job losses abated.** Several times in the past, it has been pointed out that a more balanced picture was needed for the overall economy to expand at an acceptable pace. Factory job levels in Pennsylvania held fairly steady during the month as nonmanufacturing provided all new jobs in rising to another record high on both a seasonally adjusted and unadjusted basis as job levels totalled just under 4 million in this sector.

The accompanying table shows that in most nonagricultural industries, the second half of this year has resulted in at least a slightly stronger showing with respect to job advances than in the first half of the year. For example, the durable goods

PENNSYLVANIA AND U.S. COMPOSITE INDEXES OF LEADING INDICATORS
(Jan. 1972=100 for PA; 1967=100 for the U.S.)



SOURCE: U.S. DEPT. OF COMMERCE; CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
March 1987	109.4	84.2	0.3	-0.4
April	108.4	84.0	-0.9	-0.2
May	108.8	84.6	0.4	0.7
June	110.0	84.4	1.1	-0.2
July	110.6	84.4	0.5	0.0
August	111.3	84.4	0.6	0.0
September	110.9	85.0	-0.4	0.7
October	112.0	85.6	1.0	0.7
November	111.4	85.6	-0.5	0.0

GNP and Pennsylvania employment growth over recent business cycles (average annual percent changes)

	PA employment	US employment	GNP
12/70-11/73 recovery	1.4	3.2	4.7
12/73-3/75 recession	−1.7	−0.7	−3.5
4/75-1/80 recovery	1.5	3.3	4.2
2/80-7/80 recession	1.2	−1.3	−2.5
8/80-7/81 recovery	0.8	1.9	3.1
8/81-11/82 recession	−2.8	−1.1	−1.8
12/82-pres. recovery	2.3	2.8	4.2

Source: U.S. Dept. of Commerce;
Center for Regional Business Analysis

industries added 3,000 jobs during the July-November period compared to the same time a year ago. This followed a first half in which 18,500 jobs were lost compared to the January-June period in 1986. Although much of the improvement in these industries is a result of the resolution of the USX labor dispute, a quick glance down the table shows that in ten of the twelve broad nonagricultural industry groupings, the second half of 1987 proved to be stronger than the first half, at least on the job front.

Second half's improvement is even more pronounced when the resident employment, unemployment, and labor force data are used. Employment growth amounted to just 16,000 on an average annual basis during the January-June period in

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,019*	5,032	4,889	4,971*	4,977	4,827	108.9*	109.0	105.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,970*	3,982	3,841	3,925*	3,932	3,791	121.8*	122.0	117.6
Mining	32	32	33	31	32	33	64.8*	65.8	68.1
Contract construction	243*	237	219	228	228	210	123.8*	123.8	113.9
Transportation	143	143	142	138*	140	139	86.1*	86.9	86.2
Public Utilities	106	106	103	106	105	102	104.8	104.6	101.6
Wholesale trade	277	279	265	276	278	264	124.5	125.3	119.1
Retail trade	887*	902	865	878*	881	844	122.4*	122.8	117.7
Finance, insurance & real estate	289	288	282	289	289	282	132.9*	132.7	129.8
Service & miscellaneous	1,298*	1,294	1,241	1,290	1,290	1,237	149.5*	149.6	143.5
Federal government	141	141	138	142	142	139	110.8*	110.8	108.2
State & local government	554*	561	554	549*	549	542	94.2*	94.2	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,048*	1,048	1,038	1,046*	1,045	1,035	77.9	77.9	77.2
Durable goods	597*	598	585	597*	598	585	73.8*	73.8	72.2
Nondurable goods	451	450	453	448	447	450	84.1*	84.1	84.6
Ave. wkly. hrs. worked by prod. workers	41.0*	41.4	40.8	41.1*	41.0	40.4	104.0*	103.7	102.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	1,163	1,102	554	n.a.	n.a.	n.a.	57.4	55.7	28.0
Industrial electric power sales (mil. kwh)	3,876	3,730	3,193	3,861	3,863	3,321	104.5	104.6	89.9
Mining									
Anthracite coal (thous. net tons)	246	220	373	207	206	351	42.4	42.1	71.9
Bituminous coal (thous. net tons)	5,992	n.a.	5,184†	5,472	n.a.	4,579†	77.6	n.a.	64.9†
Construction contracts awarded (mil. dols.)									
Total	891.7	752.5	562.4*	834.8	883.2	608.2*	259.5	274.5	189.0*
Residential building	395.9	288.1	229.8*	362.9	336.0	279.6*	257.8	238.7	198.7*
Nonresidential building	349.2	338.3	272.3*	286.0	297.8	248.8*	263.7	274.5	229.3*
Nonbuilding (utilities and public works)	146.5	181.8	61.0*	185.9	249.4	79.8*	256.4	344.1	110.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,480	5,417	5,266	5,403	5,376	5,219	112.4	111.9	108.6
Unemployed									
No. of persons (thous.)	307	299	334	337	315	349	84.0	78.5	87.1
Rate (percentage of labor force)	5.3	5.2	6.0						
Rate, seasonally adjusted				5.9	5.5	6.2			
Civilian labor force, no. of persons (thous.)	5,787	5,716	5,600	5,740	5,691	5,568	110.2	109.3	106.9
Initial claims for unemployment benefits	69,330	85,736	97,352	73,990	85,164	98,340	51.7	59.5	68.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986		
	October	*November*	*November*	*Month Ago*	*Year Ago*
U.S. city average	345.3	345.8	330.8	+0.1	+4.5
Philadelphia	344.1	342.6	324.1	−0.4	+5.7
Pittsburgh	344.1	n.a.	331.8†	n.a.	+3.7

[1] Total includes workers on strike. * = figure revised † = figure for October 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA job growth by industry in 1987 (annual average changes during the January-June and July-November periods; in thousands)

	January-June	July-November
Durables	– 18.5	3.0
Nondurables	– 3.9	– 3.0
Mining	– 2.6	– 1.9
Construction	18.7	19.8
Transportation	– 0.3	– 0.2
Public utilities	3.8	3.5
Wholesale trade	9.9	13.7
Retail trade	29.2	34.9
F.I.R.E.	12.1	8.0
Services	51.3	54.6
Federal government	– 0.4	3.3
State & local govt.	1.4	3.7

Source: Dept. of Labor and Industry, Res. and Stats. Div.

Pennsylvania before averaging a monthly gain of 113,000 during the July-November period. The labor force declined by 83,000 in the first half before growing by 65,000 in the second half.

In conclusion, **the Pennsylvania economy appears to be rounding out 1987 on a high note despite the existence of several problems pointed out in the past.** The "Year-End Review and Outlook" issue of the *Survey* in February will examine the situation in more detail.

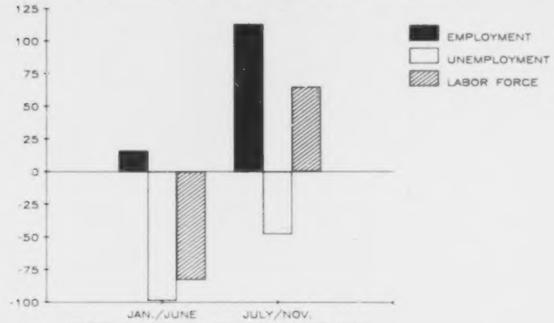
— *William D. Anderson*

Announcing . . .

A 22-page study, "The Economic Impact of Penn State Football in the State College Region," is now available from the College of Business Administration's Center for Regional Business Analysis. Originally summarized in the October 1987 issue of the *Survey*, this study quantifies, in dollar terms, the economic impact of football-related expenditures on the economy of the region surrounding the University Park Campus. It is currently available, free of charge, by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802.

This is the third study released as part of the *Pennsylvania Economic Studies* series. Additional studies will be announced as relevant research results become available.

PA EMPLOYMENT, UNEMPLOYMENT, AND LABOR FORCE GROWTH IN 1987
(average annual changes during the January-June and July-November periods; in thousands)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

To Our Readers . . .

Over the 50 years during which the *Pennsylvania Business Survey* has been in existence, those involved in its publication have constantly reevaluated the information contained in it to make sure that it is the most useful and timely available. To help us in our current efforts, we are encouraging our readers to contact us with any comments and/or criticisms with respect to the *Survey's* contents.

Although all comments will be appreciated, we here in the Center for Regional Business Analysis are especially interested in your thoughts and ideas pertaining to the following areas:

- — The quality of the narrative and its underlying analysis (i.e., too negative, too positive, etc.);
- — Those pieces of data and information currently reported which you find most helpful and those which are least helpful;
- — Additional data you would like to see reported and analyzed in the *Survey*;
- — The relative importance of the State vs. the regional articles;
- — Whether efforts to expand the *PBS* should be concentrated on State or regional coverage.

Please address all correspondence to: Bill Anderson, The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802. We look forward to hearing from you.

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YEAR-END REVIEW AND OUTLOOK

National Trends Will Determine if Strong Second Half of 1987 Will Continue

A year ago we hypothesized that a healthier manufacturing sector was needed for the Commonwealth's overall economic performance to improve. Indeed, a reversal in manufacturing's fortunes began to occur around mid-year with an associated pick-up in economic growth. We expected manufacturing jobs to decline, but at a pace considerably less than in previous years which is indeed the scenario which transpired. We also concluded that the bulk of all new jobs would again come in the service-producing industries and that these gains would allow the economy to move ahead at a pace similar to that experienced in 1986. Again, our "qualitative" forecast of a year ago appears to have been quite accurate in this respect. Our forecast of relatively small gains in the number of Pennsylvanians counted as employed and a slowing in construction growth also appear to be on the mark.

At the same time, we felt that nonmanufacturing job levels would show gains similar to those experienced during 1986. Preliminary indications for 1987 show a fair amount of improvement in the job growth picture in these establishments. Similarly, we underestimated the decline in the jobless rate which, at 5.7 percent, was 0.3 percentage points below the 6-7 percent range of our forecast. Exceptionally sluggish growth in the labor force helped pull down the jobless rate. Had the labor force behaved in a more typical fashion, the unemployment picture would have surely been more in line with our expectations.

All in all, **we are quite pleased with our forecast of a year ago.** It appears to have predicted the major trends which transpired over the course of 1987.

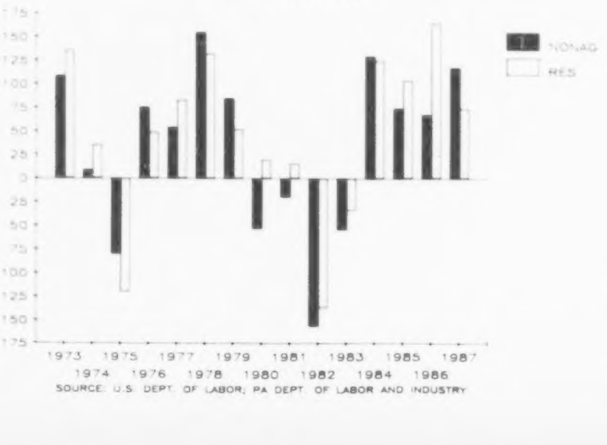
On the surface, the drop in the unemployment rate compares favorably with the 0.8 point drop to 6.2 percent in the nation. However, this hides a sluggish showing with respect to employment and labor force growth. While the number of Pennsylvanians counted as employed rose to 5.32 million, our performance relative to the nation's was not especially encouraging as the 1.4 percent annual gain in the Commonwealth is only about one-half the 2.6 percent gain recorded for the U.S. Likewise, Pennsylvania's labor force also rose, but the 0.1 percent advance pales in comparison to the 1.7 percent national gain. A strong economy usually results in an expanding labor force.

As shown in the accompanying chart, trends in employment growth illustrate the difference between the first and second halves of the year. **Although the second half brought with it very healthy employment growth, when stacked on top of a sluggish first half performance the gain last year, at 74,000, was the weakest showing since 1983.**

Employment growth in the Commonwealth was down 1.7 percentage points last year as growth fell in 13 of the State's 15 metropolitan areas, with the two exceptions coming in the Harrisburg and Sharon regions (see chart). An analysis of metro area trends highlights the dichotomy between the eastern (especially southeastern) and western halves of Pennsylvania. **Metro areas in the southeastern quarter of the State rank near the top in terms of employment growth and each surpasses the growth rate realized in Pennsylvania.**

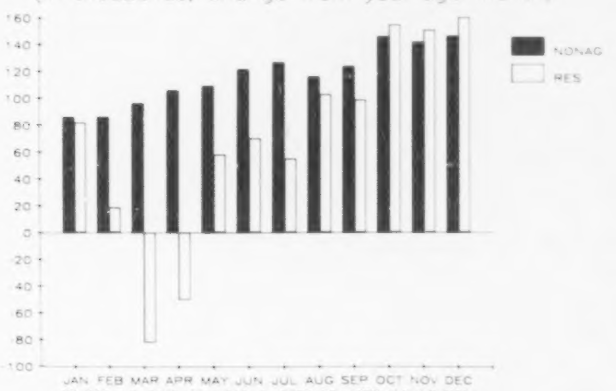
The State's unemployment rate was at its lowest level since 1974 and employment and the labor force, despite questionable growth performances, stood at record highs. Still, we conclude that the overall employment/unemployment/labor force situation in 1987 was not especially encouraging in Pennsylvania.

PA NONAGRICULTURAL JOB AND RESIDENT EMPLOYMENT GROWTH
(in thousands)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

MONTHLY CHANGES IN PA NONAGRICULTURAL JOBS AND RESIDENT EMPLOYMENT, 1987
(in thousands; change from year-ago month)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

However, **the situation appears much brighter when a second group of indicators, nonagricultural job levels, is used to gauge trends.** Like the situation for resident employment, a record number of nonagricutural positions were maintained last year, 4.92 million. But unlike the resident employment situation, our optimism is not tempered by a questionable performance with respect to growth. The 2.4 percent advance recorded in 1987 is essentially identical to the 2.5 percent gain for the U.S. and is the second largest increase in a decade, trailing only the results turned in during 1984. The second half of 1987 was clearly better than in the first six months of the year, although this conclusion is not as apparent as that found when the resident employment data are used. Also, the improvement in the nonagricultural job growth picture was evident in 13 of the 15 metropolitan areas as the percentage increase in jobs picked up from the 1986

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,031*	5,034	4,887	4,976*	4,990	4,836	109.0	109.3	105.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,981*	3,985	3,841	3,932	3,944	3,801	122.0	122.3	117.9
Mining	32	31	32	32	32	33	65.8	66.4	68.9
Contract construction	237	226	207	228	229	210	123.8	124.5	114.3
Transportation	143	143	142	139*	139	139	86.3*	86.6	86.4
Public Utilities	106	106	102	106*	106	102	104.9*	105.2	101.3
Wholesale trade	279	280	265	278	278	264	125.2*	125.5	119.1
Retail trade	900*	916	881	879*	882	848	122.5*	123.0	118.2
Finance, insurance & real estate	288	288	282	289	289	283	132.8*	132.9	130.2
Service & miscellaneous	1,295*	1,297	1,241	1,291*	1,297	1,242	149.7*	150.4	144.0
Federal government	142*	144	138	142	144	139	111.1*	112.4	108.2
State & local government	561	556	549	549	547	541	94.3*	93.9	92.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,047*	1,047	1,036	1,044*	1,047	1,036	77.8*	78.0	77.2
Durable goods	597*	597	585	597*	596	585	73.7*	73.7	72.2
Nondurable goods	450	450	451	447	450	451	84.0*	84.5	84.7
Ave. wkly. hrs. worked by prod. workers	41.5*	41.8	41.2	41.1*	41.3	40.8	104.0*	104.6	103.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	1,102	1,068	506	n.a.	n.a.	n.a.	57.6	62.0	29.3
Industrial electric power sales (mil. kwh)	3,730	3,720	3,404	3,814	3,831	3,499	103.3	103.7	94.7
Mining									
Anthracite coal (thous. net tons)	331	310	378	311	292	356	63.6	59.8	72.8
Bituminous coal (thous. net tons)	5,183	n.a.	4,073†	5,927	n.a.	4,777†	84.0	n.a.	67.7†
Construction contracts awarded (mil. dols.)									
Total	752.5	817.1	554.1*	834.2	965.5	660.7*	259.3	300.1	205.4*
Residential building	288.1	306.2	241.8*	359.5	384.0	316.3*	255.4	272.8	224.7*
Nonresidential building	282.6	419.2	155.3*	265.3	472.3	177.0*	244.5	435.3	163.1*
Nonbuilding (utilities and public works)	181.8	91.6	149.4*	209.4	109.2	167.4*	288.9	150.7	230.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,417	5,451	5,220	5,376	5,467	5,236	111.9	113.8	109.0
Unemployed									
No. of persons (thous.)	299	293	258	315	329	293	78.5	82.0	73.1
Rate (percentage of labor force)	5.2	5.1	4.7						
Rate, seasonally adjusted				5.5	5.7	5.4			
Civilian labor force, no. of persons (thous.)	5,716	5,744	5,479	5,691	5,796	5,529	109.3	111.3	106.2
Initial claims for unemployment benefits	85,736	133,414	155,335	85,051	92,021	103,474	59.4	64.3	72.3

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month*	*Year*
	Nov.	*Dec.*	*Dec.*	*Ago*	*Ago*
U.S. city average	345.8	345.7	331.1	0.0	+4.4
Philadelphia	342.6	343.5	325.2	+0.3	+5.6
Pittsburgh	n.a.	344.9	333.0	n.a.	+3.6

[1] Total includes workers on strike. * = figure revised † = figure for November 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

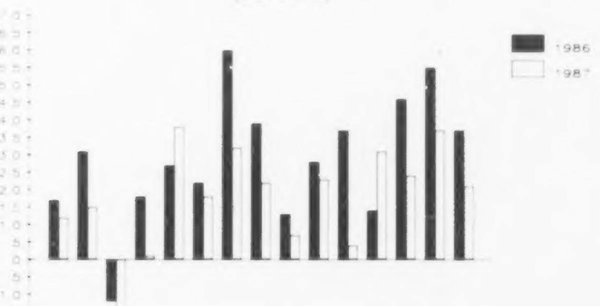
advance.

Although jobs fell from year-ago readings, **the news coming from the Commonwealth's manufacturing establishments has been encouraging.** There were just under 1.04 million jobs in the manufacturing sector last year, down from 1.05 million in 1986. This 1 percent drop is the smallest decline so far this decade as jobs have been lost on a continuous basis except for a slight gain in 1984. As shown in the accompanying chart, these losses have been declining since 1986. In fact, 1987's fourth quarter saw the first annual gain in these jobs since 1984:IIIQ. On the down side, the Commonwealth's performance failed to live up to national standards where manufacturing jobs rose 0.6 percent.

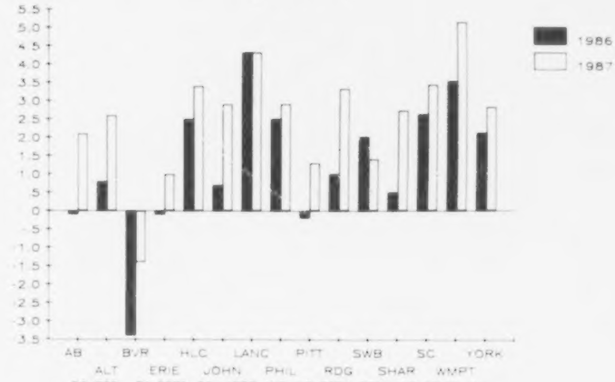
On the nonmanufacturing side, jobs grew 3.5 percent or by 132,000 last year following a gain of 2.9 percent in 1986 as job levels rose to another record high of 3.88 million. Even more impressive is the fact that job gains in these industries outpaced the nation's advance for the first time in more than a decade. Close to 120,000 of these jobs were created in the service-producing industries as there were a record number of positions in the trade, finance, and services industries.

Our gut reaction is that 1987 was at least an average year in terms of job and employment opportunities and it can also be argued that it was somewhat above average. However, our optimism is tempered when long-term trends are analyzed. Pennsylvania's performance in terms of job and employment growth over the course of the current business cycle, which peaked in 1979 and bottomed out in 1982/1983, leaves considerable room for improvement, especially relative to the nation's performance. This is illustrated in the accompanying chart which shows that Pennsylvania nonagricultural job growth in both the manufacturing and nonmanufacturing sectors has lagged behind the nation over the long-term and that it will likely take several years to make up the lost ground.

Construction activity was mixed. In two categories, residential and nonbuilding projects, the growth in contract values slowed considerably (from 21.6 percent in 1986 to 5.7 percent on the residential side and from 32.8 to 6.3 percent with respect to nonbuilding projects). The drop in residential activity was certainly expected. However, nonresidential activity turned in a surprisingly strong performance as contracts grew 48.9 percent in value following an 11.4 percent gain a year ago. The number of construction jobs rose to a record high of 222,000 in 1987, up nearly 10 percent on an annual basis. Most importantly, **the Commonwealth turned in a stronger performance on the construction front than the nation and, surprisingly, has outpaced the U.S. over the course of the business cycle.**


CHANGE IN METRO AREA RESIDENT EMPLOYMENT, 1986 AND 1987
(percent)

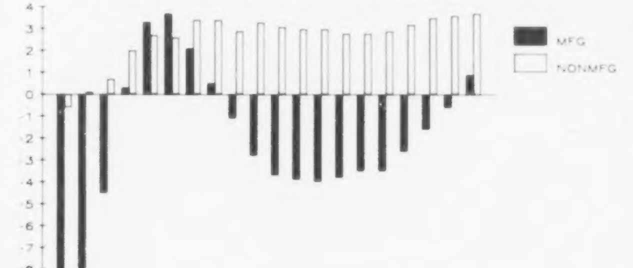
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.


CHANGE IN METRO AREA NONAGRICULTURAL JOBS, 1986 AND 1987
(percent)

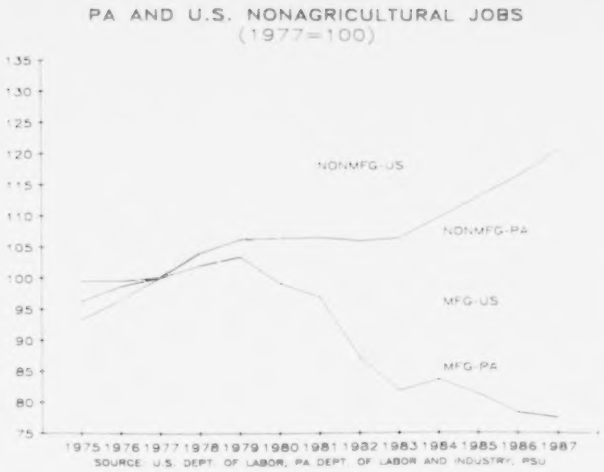
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

For the most part, we feel that there is reason to be encouraged by the performance of Pennsylvania's economy in 1987. The firming in manufacturing's fortunes and a strong second half of the year both suggest a promising outlook. Should the nation's economy expand at a 2-3 percent rate, it is quite likely that this performance should continue through 1988. However, the consensus is that the U.S. economy will struggle to even reach the lower end of this range, implying a considerable reduction in growth. A consensus has arisen calling for the national economy to slow, but it will probably remain recession-free, at least in 1988. An improving performance in the export sector is expected to offset a retrenchment on the part of consumers, enabling the economy to expand at a less-than-blistering pace.

What does all of this mean for Pennsylvania? **It is certainly logical to expect some slowing in economic growth in the Commonwealth as growth slows nationally.** But for once, there is the possibility that Pennsylvania, because of its economic structure, may be able to outperform the U.S. **The Commonwealth is still more dependent on the manufacturing sector for jobs and income than is the nation**


PA MANUFACTURING AND NONMANUFACTURING JOB GROWTH
(percent change from year-ago quarter)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.



as a whole. Because of this, we may be able to realize more than our fair share of increased economic activity in the coming months as growth shifts from the consumer to the factory. In other words, we could improve our standing relative to the U.S. Even if this were to occur, our advantage over the U.S. will, in all likelihood, be marginal and it will leave considerable ground to be made up. Furthermore, such a scenario is also unlikely to put a *considerable* dent in some of our more severe problem areas such as those revolving around our hard-core unemployed and the distressed nature of some of our communities.

Despite the consensus for further growth in the nation, the possibility of a recession should not be ignored. Should the economy slip into a recession, the Commonwealth will surely feel the effects. A sizeable minority feel that this will occur and they point to the recent inventory buildup as a signal of an impending drop in production, which, along with a cautious consumer, would spell difficult times ahead for the U.S. economy and for Pennsylvania.

Because of the uncertainty at the national level, we make this year's forecast with a little less confidence than our

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1987	1986	1986	82/83 ave	1979	1986	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	4,918	4,801	2.4	7.9	2.1	2.5	13.6	13.7
Manufacturing	1,039	1,049	-1.0	-8.3	-25.1	0.6	2.7	-9.2
Durable goods	590	597	-1.2	-9.8	-30.9	-0.1	3.2	-12.0
Primary metals	90	91	-1.1	-31.6	-55.9	-0.3	-14.4	-40.1
Nondurable goods	449	452	-0.7	-6.4	-15.8	1.5	2.0	-4.9
Nonmanufacturing	3,877	3,745	3.5	13.4	13.4	2.9	16.4	20.7
Mining	31	34	-8.8	-27.1	-40.4	-5.2	-28.7	-22.5
Construction	222	202	9.9	32.9	8.8	2.6	28.2	12.7
Service-producing industries	3,626	3,509	3.3	13.0	14.6	3.1	16.5	21.9
Transportation and public utilities	243	240	1.3	-0.4	-11.0	2.5	7.2	4.7
Wholesale trade	272	260	4.6	13.1	13.8	1.1	9.9	11.4
Retail trade	867	835	3.8	16.2	15.1	2.3	18.6	21.8
Finance, insurance, and real estate	287	277	3.6	18.8	22.6	4.6	21.9	32.4
Services and miscellaneous	1,271	1,218	4.4	20.0	34.6	4.5	24.6	41.0
Federal government	141	139	1.4	6.0	7.6	1.5	6.8	6.1
State and local government	543	541	0.4	-0.5	-8.0	2.2	7.8	7.2
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.9	40.2	1.7	5.4	2.5	0.7	3.8	2.0
Durable goods	41.9	41.1	1.9	5.5	1.7	0.7	4.0	2.0
Primary metals	42.5	40.8	4.2	10.8	2.4	2.9	9.0	4.1
Nondurable goods	39.7	39.1	1.5	5.4	4.7	0.8	3.3	2.3
Total factory person-hours worked (mils.)	n.a.	n.a.						
Total factory payrolls (mil. dols.)	n.a.	n.a.						
Steel production (thous. tons)	972	791	22.9	-2.4	-58.7	8.4	11.2	-35.1
Industrial electric power sales (mil. kwh)	3,633	3,453	5.2	8.5	-8.1	3.6	11.4	0.6
Mining								
Anthracite coal (thous. net tons)[1]	348	358	-2.8	-3.7	-13.6			
Bituminous coal (thous. net tons)	4,928	4,782	3.1	-15.8	-33.7	3.0	13.3	17.6
Construction contracts awarded								
Total, current dollars (mils.)	840.6	705.3	19.2	113.7	118.1	2.4	45.6	51.2
Residential building	328.7	310.9	5.7	110.0	95.9	-2.4	57.0	60.8
Nonresidential building	323.5	217.2	48.9	121.4	138.7	6.8	46.7	78.1
Nonbuilding (utilities and public works)	188.4	177.3	6.3	107.5	129.2	8.0	20.6	3.8
Total, constant 1982 dollars (mils.)[2]	734.1	630.9	16.4	89.1	54.1	0.0	29.0	6.8
Residential building	287.1	278.1	3.2	86.2	38.4	-4.7	39.3	13.6
Nonresidential building	282.5	194.3	45.4	95.8	68.7	4.3	29.8	25.8
Nonbuilding	164.5	158.6	3.7	83.2	61.9	5.5	6.7	-26.7
Employed, no. of persons (thous.)	5,322	5,248	1.4	9.2	6.7	2.6	12.2	13.8
Unemployed								
No. of persons (thous.)	319	386	-17.4	-48.9	-14.0	-9.9	-30.6	21.0
Rate (percentage of labor force)	5.7	6.8						
Civilian labor force, no. of persons (thous.)	5,641	5,634	0.1	2.6	5.2	1.7	8.1	14.2
Initial claims for unemployment benefits (thous.)	91	111	-18.0	-47.4	-36.8			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)								
U.S. city average						3.7	15.9	56.6
Philadelphia	337.6	322.0	4.8	19.3	58.1			
Pittsburgh	340.5	330.2	3.1	14.2	56.7			

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining Anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

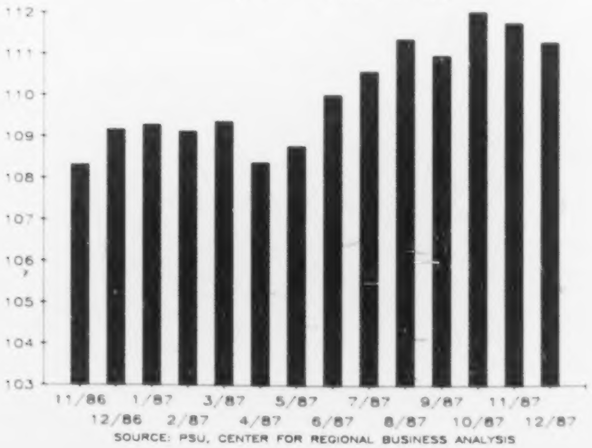
forecast of a year ago. Some of our concern is based on the recent behavior of the leading indicators at both the State and national levels. Nationally, the index has declined three consecutive months while the Pennsylvania index closed out the year with two straight declines. We make our forecast under the assumption that economic growth will slow in the U.S. but that activity will still be driven forward by an improving manufacturing sector in response to increased export activity.

Specifically, we look for the following economic developments to occur in 1988 in the Commonwealth:

- **In general terms, because of a slowdown in the nation's economy, growth will probably decline somewhat in Pennsylvania.** At best, we foresee growth at about the same pace as in 1987. It is quite unlikely that growth will accelerate. On a brighter note, we feel that the Commonwealth has a golden opportunity to finally make up some of the ground it lost earlier to the U.S., even if it is only a small portion. However, because of the general uncertainty surrounding the outlook, it would not be at all surprising if the State continues to trail the nation in terms of growth.
- Resident **employment will continue to expand** but the gains will not be strong enough to result in a decline in the jobless rate along the lines of last year's 1.1 percentage point drop. **Look for the unemployment rate to hold fairly steady in the 5.5-6 percent range. A stronger showing on the labor force front should also limit the decline in the jobless rate.** Employment will rise to a record high with the first half of the year looking very positive relative to some rather sluggish results from a year ago.
- On the nonagricultural job front, **the service-producing industries will again lead the way in terms of job generation, but they will get a bit of help from manufacturing** where job levels are expected to drift slightly upward. The improvement in manufacturing job levels will not be an adequate reflection of the true health of the sector as their gains will be limited by cost-cutting efforts and productivity improvements.

Still, it is best not to lose sight of the fact that room remains for improvement, especially in light of the battering the economy took earlier in the decade. Most importantly, the U.S. economy must avoid a recession for our relatively optimistic forecast to pan out. Should growth turn negative nationwide, it is quite unlikely that, come next February, we will have much good news to talk about.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions in the four-county Allentown-Bethlehem region continued to improve in 1987 but when measured against State and national trends the region appears to be lagging, at least with respect to job and employment gains. For instance, the 1.2 percent gain in resident employment last year was surpassed by ten of the Commonwealth's 15 metro areas. Likewise, the 2.1 percent advance in the number of nonfarm jobs falls below the State's 2.4 percent.

Despite this mixed performance, another employment record was set in the region during 1987 as 299,300 residents held jobs, the third consecutive year in which a record has been set. Partially as a result of this gain, the unemployment rate dropped from 7.4 to 4.6 percent, the largest decline among Pennsylvania's metro areas. However, also making a contribution to the drop in the "official" unemployment readings was a sharp drop in the labor force. While employment was up by 3,500 residents from 1986, the number of unemployed fell by about 9,000, translating into a drop of 5,600 in the labor force. Such a drop is certainly not indicative of an economy expanding at a healthy rate. This trend is cause for even more concern in light of the well-publicized inflow of residents relocating from the east.

This inflow, however, appears to have had a considerable impact on residential construction in the region as the value of contracts awarded rose more than one-fifth. Through the first nine months of the year, approximately 2,423 housing units were authorized for construction compared to 2,069 during the same period in 1986. Contract values for nonresidential buildings were off about 14 percent for the year. The number of jobs in the construction industry totalled 12,300 in 1987, up from 10,900 the previous year.

On the nonagricultural job front, 269,200 positions were maintained in the region's establishments in 1987 which also represents another record and translates into a gain of about 5,600 jobs over the course of the year. Nonmanufacturing's performance was especially impressive as job levels increased at a 4.7 percent annual pace to settle at 192,800 compared to a 3.5 percent advance throughout the State. The region's two largest nonmanufacturing industries, services and trade, turned in gains of 5.9 and 4.3 percent, respectively as the inflow of new residents almost surely played a role in the growth of these "service-producing" industries.

Although the situation appears to be improving, the news coming from manufacturing continues to be worrisome. All told, job levels in these establishments fell another 3.9 percent in 1987 to a record low 76,300. On a marginally brighter note, this does represent some improvement over 1986's 9.3 percent plunge. Durable goods industries accounted for the bulk of last year's decline. A 1.9 percent gain in sales of electricity to industry does suggest that recent job losses probably haven't provided a clear picture of production trends in these industries.

It is quite likely that manufacturing job losses will lessen further in 1988, especially on the durable goods side where a high 41.2-hour workweek may bring about some upward pressure on hiring activity. Also playing a positive role this year should be a shift in the source of most of the nation's economic growth from the consumer to the factory. However, any talk of a considerable rebound in manufacturing job levels, at least in our opinion, is much too optimistic. Nonmanufacturing should continue to grow, but in light of an expected national slowing in consumer spending, it is doubtful that the service-producing industries will turn in as strong a performance as in 1987. Should a strong second half of 1987 continue, some solid numbers could be posted, especially in the first few months of the year, but a slowing national economy will probably limit gains as the year rolls on.

Scranton-Wilkes-Barre

Economic activity in the Scranton-Wilkes-Barre metropolitan area realized another year of positive growth in 1987 but questions remain with respect to the region's performance relative to the Commonwealth as a whole. For example, job growth in the region's nonagricultural establishments failed to measure up to Statewide averages for the year. At 1.4 percent, total nonfarm job growth fell one full percentage point below Pennsylvania's growth rate. Furthermore, the region was the only one of the State's 15 metro areas which failed to at least match 1986's nonfarm job growth rate. While nonmanufacturing continued to add positions in the area, the 2.2 percent advance in 1987 does not compare too favorably with the State's 3.5 percent gain. All told 4,600 jobs were created in nonmanufacturing last year with the vast majority coming in service-producing establishments.

The region's construction industry saw the number of jobs on payroll rise from 11,100 in 1986 to 11,400 in 1987. Additional evidence of solid growth in construction activity is found in the gains in contracts awarded which rose 8 percent for residential projects and 39 percent on the nonresidential side.

Manufacturing jobs fell 1.5 percent or by 1,100 following a 1.8 percent drop in 1986. In Pennsylvania as a whole, a

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	304.9	111	111	108
Unemployed, no. of residents	13.0	71	67	86
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	317.9	108	108	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	273.4	106	106	104
Nonmfg. only, no. of jobs	197.5	132	131	126
Mfg. only, no. of jobs	75.6	70	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	105	104	102
Industrial electric power sales				
Metropolitan area	...	112	111	107
Allentown	...	102	102	97
Bethlehem	...	120	117	116
Easton	...	111	111	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	367.3	+22		
Nonresidential contracts only	149.6	−14		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	325.3	114	112	111
Lackawanna County[2]	100.3	110	109	108
Luzerne County[3]	146.0	109	108	106
Unemployed, no. of residents				
Metropolitan area	21.6	74	71	77
Rate, seasonally adjusted	6.7			
Lackawanna County[2]	5.8	68	63	72
Luzerne County[3]	11.4	76	74	82
Civilian labor force, no. of residents				
Metropolitan area	346.9	110	108	108
Lackawanna County[2]	106.1	106	104	104
Luzerne County[3]	157.4	105	104	104
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	290.6	111	109	109
Nonmfg. only, no. of jobs	219.1	122	120	119
Mfg. only, no. of jobs	71.5	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	114	113	108
Lackawanna County[2]	...	123	126	121
Luzerne County[3]	...	100	100	96
Hazleton	...	94	94	89
Wilkes-Barre	...	104	103	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	255.3	+8		
Nonresidential contracts only	157.8	+39		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

1986-1987 labor force, employment, and unemployment changes for the 15 PA metropolitan areas (in thousands)

	Labor force	Employment	Unemployment
AB	− 5.6	3.5	− 9.1
ALT	− 0.2	0.8	− 1.1
BVR	− 2.6	− 1.2	− 1.4
ERIE	− 1.2	0.1	− 1.2
HLC	6.8	10.9	− 4.1
JOHN	− 0.6	1.5	− 2.1
LANC	5.1	6.5	− 1.4
PHIL	36.0	49.6	−13.7
PITT	− 2.8	6.5	− 9.3
RDG	0.5	3.7	− 3.3
SWB	− 4.0	1.2	− 5.2
SHAR	0.7	1.4	− 0.6
SC	0.8	1.3	− 0.5
WMPT	1.1	1.9	− 0.8
YORK	1.3	4.1	− 2.9

Source: PA Dept. of Labor and Industry; Res. and Stats. Div.

1 percent decline in factory jobs was turned in during 1987. All told, there were 71,500 factory jobs in 1987, the lowest reading on record. Job losses were confined to the nondurables sector, especially in apparel products where 1,200 jobs were lost. Many other industries appear to be turning in stronger performances. Such a contention is backed up by last year's 3.5 percent gain in industrial power sales which suggests that production is at least holding its own in the region's factories.

The relatively large 1.4 percentage point drop in the jobless rate should not be interpreted too positively. Although 1987's 6.9 percent unemployment rate is the lowest in well over a decade, much of last year's drop is due to a net outflow from the labor force. In fact, while employment rose by 1,200 or 0.4 percent (compared to a 1.4 percent Statewide gain), the number of unemployed dropped by 5,200. The resulting reduction in the labor force is not an especially positive development. Still, the 318,000 residents counted as employed last year does represent a record high.

In all likelihood, 1988 will probably bring with it further modest gains in economic activity in the Scranton-Wilkes-Barre region. Furthermore, manufacturing will probably account for a larger share of new activity than it has the past several years, partially in response to the declining value of the dollar. However, it is important to point out that the region's health is certainly dependent on trends nationwide. Should the nation's economy slump more than expected in 1988, growth will probably diminish considerably in the metro area.

	Allentown-Bethlehem			Altoona			Beaver		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	269.2	263.6	2.1	50.5	49.2	2.6	50.5	51.2	−1.4
Manufacturing	76.3	79.4	−3.9	11.0	11.0	0.0	9.8	10.8	−9.3
Durable goods	35.2	37.6	−6.4	4.2	4.3	−2.3	7.6	8.7	−12.6
Nondurable goods	41.1	41.8	−1.7	6.8	6.7	1.5	2.2	2.1	4.8
Nonmanufacturing	192.8	184.2	4.7	39.4	38.3	2.9	40.5	40.1	1.0
Ave. wkly. hours worked by production workers									
Manufacturing	39.5	38.8	1.8	39.3	38.8	1.3	41.6	41.0	1.5
Durable goods	41.2	40.3	2.2	39.1	39.1	0.0	41.6	41.0	1.5
Nondurable goods	38.2	37.6	1.6	39.3	38.6	1.8	41.3	40.9	1.0
Industrial electric power sales index (1977 = 100)	108.7	106.7	1.9	77.2	74.3	3.9			
Employment of Residents									
Employed, no. of persons (thous.)	299.3	295.8	1.2	54.1	53.3	1.5	55.7	56.9	−2.1
Unemployed									
No. of persons (thous.)	14.5	23.5	−38.3	4.3	5.4	−20.4	6.7	8.1	−17.3
Rate (percentage of labor force)	4.6	7.4		7.4	9.2		10.7	12.5	
Civilian labor force, no. of persons (thous.)	313.8	319.4	−1.8	58.4	58.6	−0.3	62.4	65.0	−4.0

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)[1]									
All nonfarm industries	110.6	109.5	1.0	293.4	283.8	3.4	78.1	75.9	2.9
Manufacturing	34.3	35.1	−2.3	51.5	50.6	1.8	12.9	12.5	3.2
Durable goods	23.4	24.5	−4.5	23.4	22.9	2.2	7.4	7.3	1.4
Nondurable goods	10.9	10.6	2.8	28.1	27.7	1.4	5.5	5.3	3.8
Nonmanufacturing	76.0	74.4	2.2	241.8	233.2	3.7	65.1	63.4	2.7
Ave. wkly. hours worked by production workers									
Manufacturing	41.9	41.9	0.0	39.9	39.8	0.3	39.1	37.8	3.4
Durable goods	41.1	40.8	0.7	41.0	40.8	0.5	41.9	39.8	5.3
Nondurable goods	43.7	44.5	−1.8	39.2	39.2	0.0	35.4	34.9	1.4
Industrial electric power sales index (1977 = 100)	108.6	98.5	10.3	83.2	68.8	20.9	169.2	163.5	3.5
Employment of Residents									
Employed, no. of persons (thous.)	117.9	117.8	0.1	299.1	288.2	3.8	86.1	84.6	1.8
Unemployed									
No. of persons (thous.)	9.7	10.9	−11.0	10.2	14.3	−28.7	8.0	10.1	−20.8
Rate (percentage of labor force)	7.6	8.5		3.3	4.7		8.5	10.7	
Civilian labor force, no. of persons (thous.)	127.5	128.7	−0.9	309.3	302.5	2.2	94.1	94.7	−0.6

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport

The Lycoming County economy continued to turn in strong results in 1987 and most growth indicators remained ranked at or near the top relative to other metro areas around the Commonwealth. The performance turned in by manufacturing was no less than amazing. While factory jobs continued to be lost in Pennsylvania as a whole, the Williamsport metro area realized an exceptional 7.9 percent gain last year, its second consecutive advance. Of these 1,200 new jobs, 900 were created in the durable goods industries with the remainder coming from the nondurable goods side.

Similar good news is found in nonmanufacturing where last year's 4.1 percent advance translates into 1,300 new jobs. This advance compares rather favorably with the Commonwealth's 3.5 percent gain. The 33,300 positions in these establishments represent a record high. The vast majority of last year's job gains came from the service-producing industries where 1,200 jobs were created. As a result of these solid trends on both the goods- and service-producing fronts, Lycoming County's 5.1 percent advance in total nonfarm jobs was the highest among the State's 15 metro areas.

Construction also contributed to 1987's job gains as 100 new positions were added. Additionally, the number of housing units authorized by permit rose during the first nine months of 1987 compared to the same period in 1986. However, the value of nonresidential construction contracts fell 72 percent in 1987 while residential contracts were up only 6 percent in value.

In light of all of this good news, last year's drop in the jobless rate, from 7.1 percent in 1986 to 5.4 percent in 1987,

	Lancaster			Philadelphia			Pittsburgh		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	180.0	172.5	4.3	2,160.6	2,099.2	2.9	854.7	843.7	1.3
Manufacturing	59.7	58.7	1.7	379.5	384.0	-1.2	126.5	129.3	-2.2
Durable goods	34.7	34.0	2.1	201.3	204.6	-1.6	90.4	93.7	-3.5
Nondurable goods	25.0	24.7	1.2	178.2	179.4	-0.7	36.1	35.6	1.4
Nonmanufacturing	120.1	113.8	5.5	1,780.8	1,711.6	4.0	727.8	712.6	2.1
Ave. wkly. hours worked by production workers									
Manufacturing	40.4	40.2	0.5	40.7	40.3	1.0	41.7	41.2	1.2
Durable goods	41.4	41.3	0.2	41.7	41.2	1.2	42.2	41.3	2.2
Nondurable goods	39.2	38.9	0.8	39.6	39.2	1.0	40.3	40.7	-1.0
Industrial electric power sales index (1977 = 100)	135.3	129.5	4.5	105.9	101.1	4.7	59.7	58.2	2.6
Employment of Residents									
Employed, no. of persons (thous.)	207.0	200.5	3.2	2,291.4	2,241.8	2.2	883.8	877.3	0.7
Unemployed									
No. of persons (thous.)	5.7	7.1	-19.7	109.5	123.2	-11.1	66.9	76.2	-12.2
Rate (percentage of labor force)	2.7	3.4		4.6	5.2		7.0	8.0	
Civilian labor force, no. of persons (thous.)	212.7	207.6	2.5	2,400.9	2,364.9	1.5	950.7	953.5	-0.3

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Reading			Scranton-Wilkes-Barre			Sharon		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	148.5	143.7	3.3	285.7	281.8	1.4	41.3	40.2	2.7
Manufacturing	48.7	48.2	1.0	71.5	72.6	-1.5	9.3	9.5	-2.1
Durable goods	29.0	28.7	1.0	29.1	29.0	0.3	8.0	8.2	-2.4
Nondurable goods	19.7	19.5	1.0	42.4	43.7	-3.0	1.3	1.3	0.0
Nonmanufacturing	99.7	95.5	4.4	213.7	209.1	2.2	32.0	30.7	4.2
Ave. wkly. hours worked by production workers									
Manufacturing	41.1	40.5	1.5	38.9	38.5	1.0	41.8	40.2	4.0
Durable goods	41.8	41.4	1.0	41.6	41.8	-0.5	42.1	40.6	3.7
Nondurable goods	40.0	39.2	2.0	37.2	36.5	1.9	38.4	37.3	2.9
Industrial electric power sales index (1977 = 100)	134.7	127.6	5.6	110.2	106.5	3.5	105.0	99.9	5.1
Employment of Residents									
Employed, no. of persons (thous.)	162.1	158.4	2.3	318.0	316.8	0.4	46.5	45.1	3.1
Unemployed									
No. of persons (thous.)	7.5	10.8	-30.6	23.4	28.6	-18.2	3.5	4.1	-14.6
Rate (percentage of labor force)	4.4	6.4		6.9	8.3		7.0	8.4	
Civilian labor force, no. of persons (thous.)	169.6	169.1	0.3	341.3	345.3	-1.2	50.0	49.3	1.4

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

is not surprising. A solid 3.7 percent gain in resident employment, the second highest in Pennsylvania, contributed a great deal to the drop in joblessness as the number of residents counted as employed rose by 1,900 to a record high of 53,900. A strong 2 percent gain in the labor force is also indicative of a strong and expanding economy.

Although 1988 will, in all likelihood, result in further gains in economic activity, there is a good chance that the strong results turned in during 1987 will not be repeated as growth is expected to slow nationwide. Surprisingly, much of the decline in growth is expected to be realized in nonmanufacturing as consumer spending falls. Manufacturing should continue adding jobs as these industries are expected to turn in a relatively strong performance during 1988.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	55.7	118	118	110
Unemployed, no. of residents	2.9	77	66	81
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	58.6	114	113	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.0	109	109	103
Nonmfg. only, no. of jobs	34.2	119	119	115
Mfg. only, no. of jobs	16.8	93	93	85
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	108	106	102
Industrial electric power sales	•••	88	85	84
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.3	+ 6		
Nonresidential contracts only	11.4	− 72		

[1] Lycoming County

Southwestern Quarter

Altoona

Blair County continued on a path of modest economic growth last year. Although conditions have improved considerably from the early 1980s, the region, at best, turned in an average performance relative to other communities around the Commonwealth in 1987 and a reduction in growth is likely this year as a more cautious consumer leads to some slowing in economic growth nationwide. Should the goods-producing sector turn in a stronger-than-expected performance, it is possible that economic growth will come in at a pace very similar to 1987's but unless economic conditions nationwide exceed expectations by a fair amount, it is doubtful that economic growth will increase.

The jobless rate fell from 9.2 to 7.4 percent in Blair County last year for its lowest reading since 1977, yet employment expanded at a far from explosive 1.5 percent annual rate. Still, this gain of 800 residents counted as employed pushed this measure of economic activity to a record high 54,100. Much of last year's gain came in the second half of the year. During the first six months of the year, employment was up by just 100 over year-ago readings. The final six months of the year found employment up by 1,500.

A steady manufacturing sector allowed total nonfarm jobs to expand at a 2.6 percent clip in 1987 compared to a 2.4 percent gain throughout the State and up from 1986's 0.8 percent advance. Manufacturing job levels held steady at 11,000, making 1987 only the second year this decade in which a decline did not occur. It is certainly possible that job levels may actually rise slightly in 1988 as manufacturing activity expands in response to an increase in export opportunities. Nonmanufacturing job levels were up 2.9 percent to a record high of 39,400. The advance was led by the service-producing industries which added 900 jobs last year. Unfortunately, the expected slowing in consumer activity will probably have a negative impact on the performance of these industries in 1988.

Construction also made a contribution to nonmanufacturing's job gains as the number of workers employed by these

	State College			Williamsport			York		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	52.3	50.6	3.4	49.6	47.2	5.1	168.9	164.3	−2.8
Manufacturing	7.3	7.4	−1.4	16.3	15.1	7.9	58.1	57.8	0.5
Durable goods	5.0	4.8	4.2	10.0	9.1	9.9	35.2	35.6	−1.1
Nondurable goods	2.3	2.6	−11.5	6.3	6.1	3.3	22.9	22.2	3.2
Nonmanufacturing	45.0	43.3	3.9	33.3	32.0	4.1	110.8	106.4	4.1
Ave. wkly. hours worked by production workers									
Manufacturing	39.3	39.1	0.5	41.4	40.0	3.5	42.6	41.5	2.7
Durable goods	40.4	40.0	1.0	42.2	40.4	4.5	43.6	42.4	2.8
Nondurable goods	37.2	37.7	−1.3	40.0	39.4	1.5	41.1	40.2	2.2
Industrial electric power sales index (1977 = 100)	117.5	108.9	7.9	85.6	86.1	−0.6	115.2	110.6	4.2
Employment of Residents									
Employed, no. of persons (thous.)	55.2	53.9	2.4	53.9	52.0	3.7	199.8	195.7	2.1
Unemployed									
No. of persons (thous.)	3.0	3.5	−14.3	3.1	3.9	−20.5	8.1	10.9	−25.7
Rate (percentage of labor force)	5.2	6.0		5.4	7.1		3.9	5.3	
Civilian labor force, no. of persons (thous.)	58.2	57.4	1.4	57.0	55.9	2.0	207.9	206.6	0.6

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

Altoona Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	55.3	107	105	102
Unemployed, no. of residents	4.4	118	106	110
Rate, seasonally adjusted	8.0			
Civilian labor force, no. of residents	59.7	106	105	102
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.2	99	99	97
Nonmfg. only, no. of jobs	40.0	104	104	102
Mfg. only, no. of jobs	11.2	84	85	82
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	102	103	102
Industrial electric power sales	***	79	78	72
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.4	−12		
Nonresidential contracts only	29.0	+70		

[1] Blair County

industries was up by approximately 200 in 1987. Nonresidential activity, at least based upon the value of contracts awarded, appears to have been especially strong as contract values were up 70 percent to $29 million. The news was not nearly as positive on the residential side as contract values dipped 12 percent and the number of housing units authorized by permit was down from 104 during the first three quarters of 1986 to 80 during the same period in 1987.

Johnstown

Stability in manufacturing enabled the two-county Johnstown region to perform up to par with the State in 1987. Most indications suggest a continuation in the solid performance on the part of most goods-producing industries which should enable the region to turn in a relatively sound performance again in 1988. However, given the fact that the metro area has lagged State and national growth trends over the past decade, it will certainly take a good deal more than two years of slightly encouraging results to make up for all of the ground lost earlier. Furthermore, despite our expectations for a fair showing relative to other regions in 1988, some slowing in growth cannot be ruled out in light of trends expected nationwide.

Johnstown Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	87.2	91	90	88
Unemployed, no. of residents	7.9	80	76	74
Rate, seasonally adjusted	8.9			
Civilian labor force, no. of residents	95.1	90	89	86
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.0	90	89	87
Nonmfg. only, no. of jobs	66.1	99	98	96
Mfg. only, no. of jobs	12.9	61	61	60
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	104	100	99
Industrial electric power sales	***	183	164	169
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.9	−29		
Nonresidential contracts only	33.2	−41		

[1] Cambria and Somerset Counties

All told, manufacturing job levels increased by a solid 3.2 percent last year, from 12,500 to 12,900, for the second largest advance in the Commonwealth. Job gains were spread across both durable and nondurable goods industries. Along with a 3.5 percent gain in electricity sales to industry, the job picture in the Johnstown region suggests at least a fair showing with respect to manufacturing activity. A relatively low 39.1 hour average factory workweek probably will not limit hiring activity in the future as it is held down by very low workweeks in several apparel industries which have historically lagged readings from most other industries. The 41.9 hour workweek in durable goods industries equals the Statewide average. Still, the number of positions in these establishments have a long way to go to even come close to matching readings from several years ago and it is quite unlikely that they ever will. For instance, fourth quarter job totals were only about 60 percent of their 1977 levels.

Although nonmanufacturing job levels continued to increase, the 2.7 percent 1987 advance failed to match the State's 3.5 percent gain. Still, the 65,100 jobs maintained in these establishments last year represent the highest level since 1980. (Statewide, nonmanufacturing job levels stand at record highs.) One cause of the region's lagging performance relative to the rest of Pennsylvania is certainly the sluggish numbers being turned in by mining. But even in the service-producing industries, the region is failing to live up to Statewide norms. Although the value of contracts awarded and the number of housing units authorized by permit were down from 1986 levels, a gain of 300 construction jobs suggests that activity continues to move ahead at a fairly strong pace.

Employment rose by 1,500 or 1.8 percent last year to 86,100. This compares rather favorably with the 1.4 percent gain recorded by the Commonwealth. Partially as a result of this, the jobless rate dropped from 10.7 to 8.5 percent. However, in that the number of unemployed fell by 2,100, a net outflow from the labor force also made a contribution to the drop in the unelmployment rate. Such a development is not typical of an expanding economy.

Pittsburgh-Beaver Valley

Just as they have been doing since the end of the recession around 1982/1983, economic conditions improved again in the Pittsburgh metro area during 1987. Unfortunately, the year also marked a continuation of a trend finding the region lagging the State with respect to overall economic growth. In Beaver County, on the other hand, one is hard-pressed to find any good news as conditions have continuously deteriorated over the past several years.

Total nonagricultural jobs rose 1.3 percent in the four-county Pittsburgh region in 1987 to 854,700, up 11,000. This falls well short of the State's 2.4 percent advance and still leaves job levels well below readings from the late 1970s and early 1980s. Nonmanufacturing jobs grew by 15,200 while a decline of 2,800 positions was recorded in the region's factories. However, this 2.2 percent decline in manufacturing jobs translates into the second-lowest drop so far this decade and comes on the heels of a 6.8 percent loss in

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	904.0	103	102	100
Beaver County	56.5	66	66	66
Unemployed, no. of residents				
Pittsburgh[1]	62.2	105	105	108
Beaver County	6.7	106	108	105
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.9			
Beaver County	10.9			
Civilian labor force, no. of residents				
Pittsburgh[1]	966.2	103	102	101
Beaver County	63.2	68	69	69
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	869.1	99	98	97
Beaver County	50.9	67	66	66
Nonmfg. only, no. of jobs				
Pittsburgh[1]	741.1	112	111	110
Beaver County	41.1	107	108	106
Mfg. only, no. of jobs				
Pittsburgh[1]	128.0	58	57	57
Beaver County	9.7	26	25	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.7	n.a.	n.a.	n.a.
Beaver County	41.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	65	54
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	459.5	−9		
Beaver County	13.4	−37		
Nonresidential contracts only				
Pittsburgh[1]	578.6	−1		
Beaver County	16.3	−11		

[1] Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

1986. Nonfarm job levels fell 1.4 percent in Beaver County or by 700 in 1987 as they have declined continuously during the 1980s. Nonmanufacturing payroll jobs rose by just 400 or 1 percent while a 9.3 percent decline was recorded in manufacturing which translates into 1,000 jobs.

The strengthening position of manufacturing at the national level should help these industries in the region during 1988. In fact, it may help the Pittsburgh region turn in an overall performance more in line with State and national trends. Unfortunately, given the drastic manufacturing job losses suffered by establishments in Beaver County in recent years, any such improvement will be minimal.

Joblessness eased in both the Pittsburgh and Beaver County metro areas during 1987. At 7 percent, Pittsburgh's unemployment rate was down a full point from 1986 readings while Beaver County's rate fell from 12.5 to 10.7 percent. However, resident employment growth was far from impressive in both cases. In fact, in Beaver County, employment actually fell by 1,200, implying that the decline in unemployment is solely attributable to a net outflow from the labor force. Similarly, while employment rose by 6,500 or 0.7 percent (one-half the Statewide gain) in the Pittsburgh region, the number of unemployed fell by 9,300 which translates into a decline of 2,800 in the labor force, the fifth consecutive year this has happened. Such a trend is not usually associated with a strong economy.

Construction activity appears to be up in both metro areas as job levels advanced in 1986 and the number of housing units authorized by permit during the first three quarters of the year held fairly steady in Beaver County and rose in the Pittsburgh metro area. However, the value of contracts awarded declined with respect to both residential and nonresidential projects.

It is doubtful that economic activity will change considerably during 1988. The expected improvement in manufacturing will come alongside some slowing in nonmanufacturing as consumer spending slows. Beaver County will, in all likelihood, again trail overall growth trends at the State and national levels. Even if Pittsburgh improves its relative standing in the coming year as a result of a strengthening manufacturing sector, there will still be a great deal of ground to be made up.

State College

Centre County turned in another impressive performance in 1987 in terms of economic growth as the service sector led the way. If expectations for some slowing in national economic growth in 1988 prove to be accurate, it is quite likely that a similar slowing will occur in the State College region. It is sometimes contended that the region, because of its large service economy, is, for the most part, immune to national downturns in the business cycle. While the structure of the region's economy does "soften the landing" to a degree and the county is usually not as adversely impacted by downturns in the nation's economy as the State, it does not prevent ups and downs in the region's economic health. Hence, our expectations are for some slowing in 1988, but not to the same degree as in the Commonwealth as a whole.

Indeed, although impressive numbers were posted in 1987, it may be argued that growth slowed somewhat after a very strong 1986. For example, resident employment expanded at a 2.4 percent annual rate in 1987 compared to the State's 1.4 percent gain. However, this follows a 4.6 percent 1986 advance. The increase, on the other hand, leaves employment at another record high. Much the same is true with respect to labor force growth. Although growth was stronger

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	57.2	133	132	127
Unemployed, no. of residents	3.0	116	118	113
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	60.3	132	132	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.3	130	128	126
Nonmfg. only, no. of jobs	47.0	133	131	128
Mfg. only, no. of jobs	7.4	116	113	111
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	123	120	114
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	58.3	−33		
Nonresidential contracts only	33.2	−48		

[1] Centre County

than in the Commonwealth, it was down from year-ago readings. Still, the jobless rate fell from 6 percent in 1986 to 5.2 percent last year, its lowest reading during the decade in which comparable data are available.

Much of the credit for the region's impressive performance over the past several years may be given to a rapidly expanding nonmanufacturing sector. All told, there were 45,000 positions in the region's nonmanufacturing sector, a record high, up 3.9 percent or by 1,700 from a year ago. Service-producing industries accounted for about 1,500 of these new jobs. Elsewhere in nonmanufacturing, construction industries added 200 positions. However, the value of construction contracts awarded fell from 1986 levels on both the residential and nonresidential sides. The number of housing units authorized by permit did rise during the first nine months of the year compared to the same period in 1986. Although a significant decline is quite unlikely, some slowing in construction activity is expected in 1988.

As has been the case for the past several years, manufacturing did not fare nearly as well as nonmanufacturing. In fact, 100 more jobs were lost in these establishments in 1987 as job levels settled at 7,300. On the bright side, there were some positive developments toward year-end as the number of positions in the fourth quarter exceeded 1986:IVQ readings by 300. A strong 7.9 percent gain in electricity sales to industry also suggests some firming in factory activity. Manufacturing job levels will probably hold steady or rise slightly in the coming year. All told, total nonfarm jobs grew at a 3.4 percent clip in 1987 compared to a 2.4 percent gain for the entire State.

Northwestern Quarter

Erie

Although the economy certainly remained on a recovery track, the Erie metro area's performance in 1987 leaves a good deal of room for improvement, especially relative to trends elsewhere in the Commonwealth.

Perhaps the best news is found in the construction industry where job levels were up by about 300 compared to 1986 in settling at 3,500. Contract values for construction projects rose 6 percent on the nonresidential side and 18 percent for residential buildings.

Nonagricultural job levels rose to 110,600 in 1987, the highest reading since 1981. (In Pennsylvania as a whole, nonagricultural job levels stood at record highs in 1987.) However, the 1 percent gain, although an improvement over the 0.1 percent decline the previous year, was surpassed by 13 of the State's 15 metropolitan areas. However, there are signals that the huge job losses which have rocked the manufacturing sector in recent years are about to end. Although jobs fell by 2.3 percent for the year, this performance does mark some improvement over 1986's 3.3 percent drop. Also contributing to this optimism is a rather high average factory workweek and an impressive 10.3 percent gain in electricity sales to industry, a reliable indicator of production trends. Still, it is quite unlikely that job levels in these industries will do anything more than hold their own which is not all that bad in light of cost-cutting programs and productivity improvements.

Nearly all new jobs have come in the nonmanufacturing sector, but even here, the 2.2 percent gain recorded last year falls short of the 3.5 percent advance for the entire Commonwealth. Nonetheless, the number of positions in these establishments remained at a record high for the third straight year in rising to 76,000. The region's largest industry, services, turned in a solid performance as jobs grew at a 3.6 percent clip. A gain of 2.1 percent was realized in the number of jobs in the trade industries. It is questionable as to whether these gains will be surpassed, or even repeated, this year in light of the expected slowing in consumer expenditures nationwide.

The rather large drop in the unemployment rate, from 8.5 percent in 1986 to 7.6 percent last year, its lowest reading since 1979, should be interpreted with some caution. Much of the decline in joblessness is directly attributable to a declining labor force. Specifically, while the number of residents counted as employed turned in a minimal gain of 100, the number counted as unemployed droped by approximately 1,200. The resulting outflow from the labor force is not indicative of an especially strong economy.

In all likelihood, the economy will continue to expand during 1988. However, given the sluggishness expected in overall U.S. economic activity, it is quite unlikely that 1987's performance will be improved upon to any significant extent in Erie County. Perhaps the best news that may transpire during the course of the year may be some strengthening in manufacturing's fortunes.

Sharon

Although a good deal of lost ground remains to be made up, there is no denying that 1987 was at least a fair year with respect to economic growth in Mercer County as most indicators suggest that the region performed more on par with Statewide trends than has been the case in recent years. The biggest cause for worry remains manufacturing where another 200 jobs were lost in 1987 for a 2.1 percent decline, more than double the loss throughout the Commonwealth. However, this is the smallest decline in three years and the sec-

Erie Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	120.5	107	106	105
Unemployed, no. of residents	9.2	110	107	110
Rate, seasonally adjusted	7.6			
Civilian labor force, no. of residents	129.7	107	106	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.6	101	100	100
Nonmfg. only, no. of jobs	78.2	114	112	111
Mfg. only, no. of jobs	34.5	80	80	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.7	103	102	101
Industrial electric power sales	***	116	111	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Agc Ytd		
Residential contracts only	67.7	+ 18		
Nonresidential contracts only	55.3	+ 6		

[1] Erie County

ond half of 1987 was encouraging with respect to job gains. Our expectations for 1988 call for some improvement in manufacturing in response to national developments. Hence, job levels should hold fairly steady and may even rise slightly. A fairly high average factory workweek should also put some upward pressure on hiring trends in these industries.

The situation was rather impressive on the nonmanufacturing side as job levels rose to a record high 32,000 in 1987, a gain of 4.2 percent or 1,300 positions over 1986 readings. Throughout the State, nonmanufacturing jobs rose 3.5 percent. In light of an expected slowdown in consumer spending, it is quite likely that the growth in nonmanufacturing activity will ease somewhat in the Sharon metro area. Still, barring a recession at the national level, growth should continue in 1988. Building activity also strengthened further last year, especially on the nonresidential side where contract values nearly doubled in settling at $44.5 million. All told, the number of construction jobs, in reaching 1,400, rose by 200 in 1987.

Nonmanufacturing's strength certainly contributed greatly to a solid showing on the employment/unemployment front. The number of Mercer County residents counted as employed rose by 1,400 to 46,500, its highest reading since 1982. This increase enabled the region to absorb a gain in the labor force totaling 700 and reduce the number of unemployed by 600. The end result was a drop in the unemployment rate from 8.4 percent in 1986 to 7 percent in 1987, its lowest reading since 1979.

While 1987 proved to be fairly encouraging with respect to economic activity in the Sharon metro area, longer-term trends suggest that problems remain. For instance, while resident employment is at a record high in the Commonwealth as a whole, Mercer County employment still remains below pre-recessionary readings and the gains recorded since the end of the recessions are considerably smaller in the Sharon area relative to the State. Much the same is true with respect to nonagricultural job growth.

Sharon Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	48.0	99	98	92
Unemployed, no. of residents	3.0	84	89	99
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	51.0	98	97	93
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	42.5	93	92	89
Nonmfg. only, no. of jobs	32.9	112	111	107
Mfg. only, no. of jobs	9.6	59	58	55
Hrs. worked by production workers in mfg., *ave. weekly*	42.9	n.a.	n.a.	n.a.
Industrial electric power sales	• • •	104	110	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.7	-51		
Nonresidential contracts only	44.5	+97		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The news was good on all fronts in the four-county Harrisburg-Lebanon-Carlisle region during 1987. Solid gains in jobs, employment and construction activity solidified the region's standing as having one of the, if not the, strongest economies in the Commonwealth. One obstacle to continued healthy growth is what happens nationally. Should the nation's economy slow as expected, the region should hold up fairly well with only a slight drop in growth. However, should the nation's expected slump turn into a recession, then the region will certainly feel the impact. Another obstacle appears to be a developing labor shortage as there are worries of a mismatch between available jobs and the number of individuals looking for work.

All industry sectors took part in last year's solid showing. Manufacturing jobs grew 1.8 percent or by 900 to 51,500 for the second-best showing this decade. Still, job levels are down from readings maintained during the 1970s into the early 1980s. Both durable and nondurable goods industries realized gains last year. The region's largest manufacturing industry, food products, accounted for about 200 of these new jobs. In response to the apparent gains in manufacturing activity, electricity sales to industry surged by more than one-fifth in 1987.

An even stronger performance was turned in by the area's nonmanufacturers where the 241,800 positions maintained in 1987 represent a gain of 3.7 percent from the previous year compared to the State's 3.5 percent gain. The number of jos in these establishments have risen essentially nonstop for several years running and set new records on nearly an annual basis. The end result of the behavior in both the manufacturing and nonmanufacturing sectors in 1987 was a 3.4 percent rise in total nonfarm jobs, the third strongest gain among the 15 metro areas in the Commonwealth.

Construction also played a major role in the economy's overall gains as contract values nearly doubled on the nonresidential side in 1987 while residential values held fairly steady. In terms of jobs, the 11,900 positions in the construction industry in the four-county region during 1987 represent a gain of 900 over a year ago.

In light of these encouraging signs, it is not surprising that the region turned in an exceptionally strong performance with respect to employment and unemployment. The 3.3 percent unemployment rate recorded by the region in 1987 is the second lowest among all metro areas in Pennsylvania and represents a decline of 1.4 percentage points from 1986 readings. Contributing to this drop was a rise in employment totalling 10,900, leaving the number of residents counted as employed at a record high 299,100. In percentage terms, last year's employment gain, at 3.8 percent, was the strongest in the State. In addition to lowering unemployment, these solid employment gains also helped absorb a strong 2.2 percent increase in the labor force.

Lancaster

The news on the economic front remained encouraging in Lancaster County during 1987 as solid gains were reported. This rather glowing overview is certainly backed up by trends in employment and unemployment. At 2.7 percent, down from 3.4 percent in 1986, the region continued to maintain

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 4 Q.'87	Average monthly index seas. adj. (1977 = 100) 4 Q.'87	3 Q.'87	4 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	305.1	121	120	114
Unemployed, no. of residents	9.5	70	65	74
Rate, seasonally adjusted	3.4			
Civilian labor force, no. of residents	314.6	118	117	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	298.0	120	119	117
Nonmfg. only, no. of jobs	245.6	127	126	123
Mfg. only, no. of jobs	52.4	96	95	93
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	•••	94	86	71
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	218.0	– 6		
Nonresidential contracts only	288.0	+96		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

the lowest jobless rate in the State. What is especially impressive is that the region continues to be able to reduce unemployment while the labor force continues to expand. Specifically, employment expanded by 6,500, a gain strong enough to absorb a net inflow into the labor force totalling 5,100 and reduce the number of unemployed by 1,400. Both employment and the labor force stood at record highs last year.

Similar good news is found in examining trends in nonagricultural jobs. A 4.3 percent gain in total nonfarm jobs left this measure of economic health at a record high 180,000. This gain was the second highest among the State's 15 metro areas and was fueled by improvements in both the manufacturing and nonmanufacturing sectors. The 5.5 percent gain in nonmanufacturing jobs was the strongest in the Commonwealth and translates into an absolute advance of 6,300 positions. Trade and services, the two largest industries in the region, accounted for 2,100 and 2,000 of those new jobs, respectively. Also making a contribution was construction as job levels rose by 1,300 to 10,500. A large portion of the growth in new building activity appears to have been on the nonresidential side where contract values increased by more than one-fourth. Residential contract values held relatively steady.

Lancaster Area[1]

	Ave. mo. value 4 Q.'87	Average monthly index seas. adj. (1977 = 100) 4 Q.'87	3 Q.'87	4 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	211.9	134	133	128
Unemployed, no. of residents	5.9	80	73	71
Rate, seasonally adjusted	3.1			
Civilian labor force, no. of residents	217.8	132	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	184.0	129	128	124
Nonmfg. only, no. of jobs	124.2	145	143	137
Mfg. only, no. of jobs	59.3	104	106	105
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	102	101	102
Industrial electric power sales	•••	139	140	133
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	226.2	– 4		
Nonresidential contracts only	77.6	+26		

[1] Lancaster County

Following 1987's 1.7 percent advance, the number of positions in Lancaster County manufacturing establishments has now risen in two consecutive years. This is quite impressive in light of the difficulties experienced in the State as a whole. In rising by 1,000, manufacturing job totals are at their highest level since 1979, 59,700. The two largest manufacturing industries, fabricated metals and printing and publishing, each realized job gains over the course of the year.

If trends transpire nationally as expected, this nice showing on the part of manufacturing is likely to continue. At the same time, should consumer spending slow as expected, the very strong performance in the service-producing industries is not likely to be repeated to the same degree. Still, barring a national recession, 1988 should turn out to be another year of solid economic gains in Lancaster County.

Philadelphia

Economic activity continued to expand during 1987 in the eight-county Philadelphia area as nearly all indicators suggest that growth in the region outpaced Statewide trends, a trend typical of all metro areas in the southeastern portion of the Commonwealth. For example, a 2.2 percent gain in resident employment, to 2.29 million, is rather impressive in light of the 1.4 percent gain for all of Pennsylvania. This gain of 49,600 left employment at a record high for the fourth consecutive year and helped absorb a solid gain of 36,000 in the labor force and reduce the number of unemployed by 13,700. This 1.5 percent gain in the labor force is quite encouraging alongside a minimal 0.1 percent advance in the Commonwealth.

All told, the region showed a decline in the unemployment rate from 5.2 percent in 1986 to 4.6 percent in 1987, the lowest it has been in more than 15 years. Statewide, the jobless rate came in at 5.7 percent.

The solid picture on the employment front was fueled by job gains in the nonmanufacturing sector where a 4 percent advance generated 69,200 jobs compared to a 3.5 percent gain throughout the State. Not surprisingly, the service-

Philadelphia Area[1]

	Ave. mo. value 4 Q.'87	Average monthly index seas. adj. (1977 = 100) 4 Q.'87	3 Q.'87	4 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	2,349.6	124	122	119
Unemployed, no. of residents	102.2	63	62	62
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2,451.8	118	117	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,209.5	120	119	116
Nonmfg. only, no. of jobs	1,827.0	131	130	126
Mfg. only, no. of jobs	382.6	86	85	85
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	102	102	102
Industrial electric power sales	•••	111	107	100
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,935.4	+17		
Nonresidential contracts only	2,325.7	+88		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	167.5	122	120	117
Unemployed, no. of residents	6.2	85	78	93
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	173.7	119	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	152.9	114	113	110
Nonmfg. only, no. of jobs	102.8	126	124	121
Mfg. only, no. of jobs	50.0	96	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.9	106	105	105
Industrial electric power sales	• • •	139	136	130
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	115.1	−10		
Nonresidential contracts only	54.0	−10		

[1] Berks County

producing industries, with 58,700 new jobs, and construction, with 10,500 new positions on payroll, led the way. Within the service-producing category, the region's largest nonmanufacturing industries, services and trade, accounted for 28,900 and 20,000 of the new jobs, respectively.

Trends in the value of contracts awarded also point to an impressive showing on the part of construction. Nonresidential contracts were up 88 percent in value last year over 1986 readings while residential contracts were valued 17 percent higher, although the number of new housing units authorized by permit was down from year-ago levels, at least through the first nine months of the year.

Perhaps the only real cause for concern in 1987 was the continuing difficulties faced by the region's manufacturers as another 4,500 jobs were lost over the course of the year. In percentage terms, the 1.2 percent drop is slightly larger than the 1 percent decline recorded by the entire State. On a slightly more positive note, this does represent some improvement over 1986's 2.7 percent drop and the loss of factory jobs over the course of the current business cycle has been much less pronounced in the Philadelphia region than in the State as a whole. A fairly high average factory workweek and a 4.7 percent advance in electricity sales to industry may also be interpreted rather positively.

It is quite likely that manufacturing's fortunes in the metro area may improve further in 1988 in response to a general nationwide trend. Even if the growth in overall economic activity slows somewhat as a result of a slowdown in consumer spending, the strength in the goods-producing sector should enable the economy to move ahead, following nationwide patterns.

Reading

The Berks County regional economy turned in a solid performance on just about all fronts in 1987 as job gains were recorded across a broad spectrum of industries. Even manufacturing played a role as job levels advanced 1 percent after two straight years of decline. This gain of 500 positions left the number of jobs in the region's manufacturing establishments at 48,700. Still, this represents a considerable shortfall relative to pre-recessionary readings. Both durable and nondurable goods industries contributed to last year's gains.

This rather encouraging news is backed up further by a strong 5.6 percent increase in electricity sales to industry in 1987, a fairly reliable barometer of production trends. Additionally, a relatively high 41.1-hour average factory workweek suggests that hiring activity may even improve further in 1988.

Nonmanufacturing, however, continued to provide the bulk of all new jobs in the region as 4,200 positions were added between 1986 and 1987 for a 4.4 percent gain, the strongest increase in more than a decade. This compares quite favorably with the Commonwealth's 3.5 percent advance. Industries in the service-producing sector accounted for 3,600 of the Reading area's new nonmanufacturing jobs in 1987. The rest were accounted for by construction as building activity apparently remained at a fairly healthy pace despite a 10 percent decline in the value of both residential and nonresidential contract awards. The number of new housing units authorized by permit during the first nine months of the year was up from the same period a year ago.

Given the overall solid performance in the economy, last year's 2 percentage point drop in the jobless rate is not especially surprising. At 4.4 percent, the unemployment rate was at its lowest level since 1974. Furthermore, a 2.3 percent gain in resident employment left this measure of economic health at a record high 162,100. Statewide, the employment advance amounted to just 1.4 percent.

As is the case throughout the State, our forecast for 1988 is for a continuation of positive growth in the region, but some slowing cannot be ruled out in light of an expected slowdown at the national level. Also, worries of a labor shortage have emerged throughout southeastern Pennsylvania. Should such a shortage materialize, it would act to limit overall economic growth.

York

A solid showing on the part of all of southeastern Pennsylvania during 1987 is rounded out by a strong growth picture in the two-county York metropolitan area. Again, it is

York Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	205.9	132	131	126
Unemployed, no. of residents	7.0	86	78	94
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	212.9	130	128	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	173.5	121	119	117
Nonmfg. only, no. of jobs	113.5	137	135	131
Mfg. only, no. of jobs	60.0	100	98	96
Hrs. worked by production workers in mfg., *ave. weekly*	43.2	104	104	101
Industrial electric power sales	• • •	119	119	113
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	162.1	+15		
Nonresidential contracts only	106.4	+55		

[1] Adams and York Counties

apparent that when both manufacturing and nonmanufacturing contribute to overall growth, the results are encouraging. Although not especially large, manufacturing's 0.5 percent job gain in 1987 was only the second advance in this decade. All told, there were 58,100 factory jobs last year, up 300 from 1986. All of the gain occurred in the nondurable goods sector where 700 new jobs were generated. The region's largest nondurable goods industries, food products and printing and publishing, added 100 and 200 jobs, respectively. A 4.2 percent gain in industrial power sales suggests that production was up while a 42.6-hour average factory workweek, the highest in the State, should help prop up hiring activity in 1988.

While manufacturing appears to just be regaining some of its health, nonmanufacturing continued to add jobs to the local economy as it has done every year since 1983. The 110,800 positions maintained in these establishments represent another record high as jobs grew 4.1 percent or by 4,400 in 1987. This compares quite nicely with the 3.5 percent gain recorded by the Commonwealth. Trade and services, the region's two largest industries, accounted for 700 and 2,300 of these new jobs, respectively.

In addition to these solid gains on the part of service-producing industries, construction also added 800 new jobs as activity strengthened. Nonresidential contract values rose 55 percent to $106.4 million while residential contracts, at $162.1 million, were up 15 percent from 1986 levels.

At 3.9 percent, the area's unemployment rate was down from 5.3 percent in 1986 and was the third lowest among the State's 15 metropolitan regions as resident employment rose to a record high of just under 200,000. For the year, employment was up by 4,100. This gain was strong enough to absorb an increase of 1,300 in the labor force and reduce the number of unemployed by 2,900.

Although some slowing in growth is expected for 1988 as a result of national trends, there appears to be little chance that the region's economy will slump significantly. In fact, even more balanced growth is expected in the future as manufacturing activity continues to advance. However, it is doubtful that job levels in these industries will do anything more than drift upward. It is quite unlikely that all of the factory jobs lost in recent years will ever be recovered.

— *William D. Anderson*

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GOOD NEWS CONTINUES

The Pennsylvania economy's strong showing during 1987's second half which was highlighted several times in last month's *PBS* appears to have continued into the first month of 1988 as gains were recorded on just about all fronts. Perhaps **the best news is found in the Commonwealth's manufacturing establishments** as job levels rose by a seasonally adjusted 6,000 to 1.06 million, the highest reading in nearly two years. Still, before adjusting for seasonality, the number of factory jobs actually fell by 5,000. However, in that January normally brings with it a loss of about 11,000 jobs, the seasonally adjusted gain resulted. Of special importance is the fact that the recent gains recorded by this sector appear to be rather widespread. In fact, of the twenty major manufacturing industries (two-digit SIC groupings), 16 turned in job gains over the January 1987-January 1988 period.

Other indicators of manufacturing's health also suggested that these industries are on the upswing. Although there was little change from December readings, the trend in the average factory workweek, total hours worked, payrolls, and electricity sales to industry has certainly been up over the past several months.

Still, problems remain in these industries. For instance, although Pennsylvania's steel companies are turning in stronger and stronger performances, the Commonwealth's share of U.S. steel output is only about one-half of what it was only two decades ago (see chart).

Although gains continue to be recorded, **the growth in the nonmanufacturing sector appears to be slowing somewhat.** All told, only 3,000 new jobs were created in these industries during January, leaving the number of positions in these establishments at a seasonally adjusted 3.93 million. The seasonal declines in many industries, especially construction and retail trade, were evident again this past January as cold weather and post-Christmas layoffs pushed job levels down considerably in these industries before adjustment for seasonality. Still, their performances were, for the most part, no better or no worse than normal.

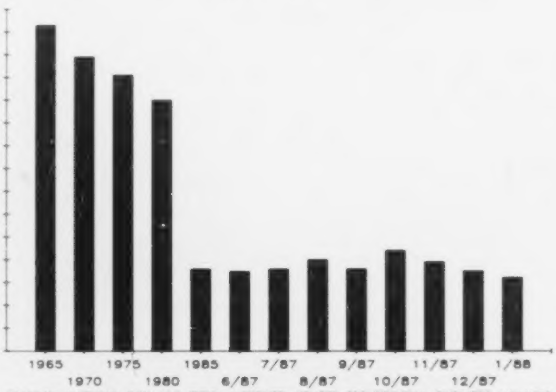
It is quite likely that as the year unfolds, we will continue to see these same types of trends in Pennsylvania's nonfarm industries. **Both manufacturing and nonmanufacturing are expected to grow at moderate paces. While this represents a considerable improvement for the State's factories, such a trend implies some slowing in nonmanufacturing, and especially service-producing, growth.**

There was some slowing in construction activity during January, at least based upon the value of contracts awarded, even after normal seasonal downturns are discounted. For the month, awards totalled a seasonally adjusted $918.1 million, off from $965.5 million in December. Contract awards were off by about $75 million from year ago readings. In fact, in two of the three broad categories, residential and nonresidential buildings, year-to-year declines were recorded. Such a trend certainly merits monitoring in coming months.

Total resident employment rose in January to a record high of just under 5.5 million, seasonally adjusted. **Although comparisons with December show little change with respect to both employment and unemployment, year-over-year comparisons show substantial improvement.** For instance, there were 237,000 more Pennsylvanians counted as employed this past January than in the first month of 1987.

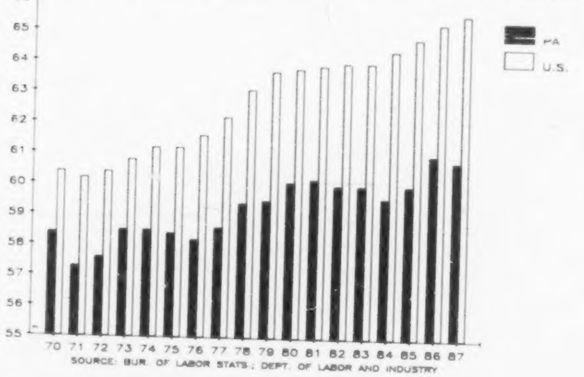
As an aside, some attention needs to be given to the recent behavior in the labor force and its possible impacts on employment growth and labor force participation rates. Several times in the past the *Survey* has pointed out that employment growth in the Commonwealth has tended to lag national gains. Although a strong case can be made showing that some of this shortfall is due to relatively sluggish overall economic growth in the State, some of the discrepency is also probably due to slow growth in the labor force. If fewer and fewer potential workers are entering the labor force, it comes as no surprise that employment growth will be somewhat less than impressive.

PA'S SHARE OF U.S. STEEL PRODUCTION
(percent)



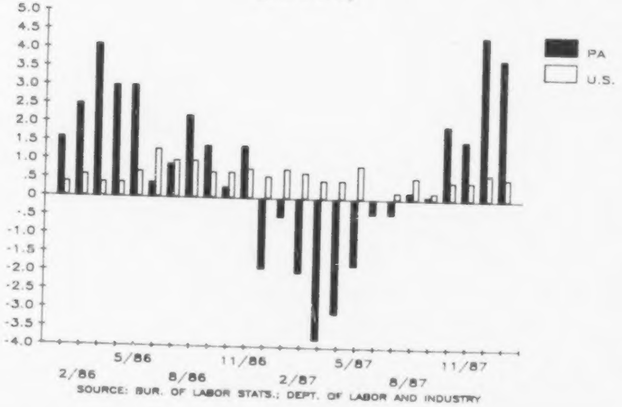
SOURCE: AMERICAN IRON AND STEEL INSTITUTE; CENTER FOR REGIONAL BUSINESS ANALYSIS

PA AND U.S. LABOR FORCE PARTICIPATION RATES
(percent of civilian population 16 years old and above)



SOURCE: BUR. OF LABOR STATS.; DEPT. OF LABOR AND INDUSTRY

GROWTH IN PA AND U.S. LABOR FORCE PARTICIPATION RATES
(percent)



SOURCE: BUR. OF LABOR STATS.; DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA 1987-88 Dec.	UNADJUSTED DATA 1987-88 Jan.	UNADJUSTED DATA 1987 Jan.	SEASONALLY ADJUSTED DATA 1987-88 Dec.	SEASONALLY ADJUSTED DATA 1987-88 Jan.	SEASONALLY ADJUSTED DATA 1987 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987-88 Dec.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987-88 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987 Jan.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,018	4,903	4,769	4,981	4,990	4,849	109.1	109.3	106.2
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,965	3,854	3,736	3,930	3,933	3,814	121.9	122.0	118.3
Mining	30	30	31	31	31	33	65.0	64.4	67.7
Contract construction	223	201	191	228	226	216	124.0	122.8	117.6
Transportation	145	140	137	142	143	140	88.2	88.7	87.3
Public Utilities	105	105	103	105	105	103	104.3	103.8	102.2
Wholesale trade	265	265	258	265	267	261	119.7	120.6	117.5
Retail trade	903	860	832	873	874	846	121.7	121.8	118.0
Finance, insurance & real estate	292	291	286	293	295	289	134.6	135.4	132.7
Service & miscellaneous	1,300	1,279	1,225	1,302	1,301	1,247	150.9	150.8	144.6
Federal government	145	143	138	145	144	139	113.0	112.2	108.3
State & local government	556	541	534	547	549	542	93.8	94.2	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,052	1,047	1,024	1,051	1,057	1,035	78.3	78.8	77.1
Durable goods	600	597	578	599	603	584	74.0	74.5	72.1
Nondurable goods	452	450	447	452	454	451	84.8	85.3	84.7
Ave. wkly. hrs. worked by prod. workers	41.8	40.9	40.6	41.2	41.1	40.8	104.2	104.0	103.2
Total wkly. person-hours worked (mils.)	30.0	29.2	28.0	29.6	29.6	28.5	77.1	77.2	74.2
Total wkly. payroll (mil. dols.)	305.9	296.1	276.1	299.7	300.1	280.1	133.4	133.6	124.7
Steel production (thous. tons)	1,068	1,110	598	n.a.	n.a.	n.a.	62.0	54.3	29.2
Industrial electric power sales (mil. kwh)	3,720	3,718	3,364	3,831	3,778	3,434	103.7	102.3	93.0
Mining									
Anthracite coal (thous. net tons)	310	274	256	292	335	307	59.8	68.5	62.8
Bituminous coal (thous. net tons)	5,868	n.a.	4,222†	5,877	n.a.	4,089†	83.3	n.a.	58.0†
Construction contracts awarded (mil. dols.)									
Total	817.0	562.0	638.1*	965.5	918.1	1040.1*	300.1	285.4	323.3*
Residential building	306.2	269.2	331.2*	384.0	538.8	637.3*	272.8	382.8	452.8*
Nonresidential building	419.2	186.1	208.4*	472.3	234.5	260.9*	435.3	216.2	240.5*
Nonbuilding (utilities and public works)	91.6	106.6	98.5*	109.2	144.8	141.9*	150.7	199.8	195.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,459	5,372	5,135	5,463	5,489	5,254	113.7	114.2	109.3
Unemployed									
No. of persons (thous.)	293	356	359	323	327	333	80.5	81.4	82.9
Rate (percentage of labor force)	5.1	6.2	6.5						
Rate, seasonally adjusted				5.6	5.7	6.0			
Civilian labor force, no. of persons (thous.)	5,752	5,728	5,494	5,786	5,816	5,586	111.1	111.7	107.3
Initial claims for unemployment benefits	133,414	143,595	162,578	92,021	94,272	105,021	64.3	65.8	73.4

Consumer Prices, all items	Urban Indexes (1967 = 100) 1987-88 Dec.	Urban Indexes (1967 = 100) 1987-88 Jan.	Urban Indexes (1967 = 100) 1987 Jan.	Percentage Change Month Ago	Percentage Change Year Ago
U.S. city average	345.7	346.7	333.1	+0.3	+4.1
Philadelphia	343.5	344.6	327.7	+0.3	+5.2
Pittsburgh	344.9	n.a.	333.0†	n.a.	+3.6

[1] Total includes workers on strike. * = figure revised † = figure for December 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

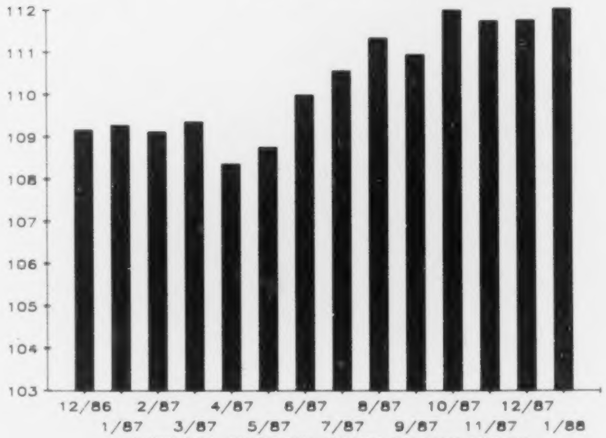
A major question revolves around why Pennsylvania's labor force has not been growing as fast as the nation's. As shown in the accompanying chart, the portion of Pennsylvania's population 16 years of age and older which is in the labor force has historically lagged comparable national readings, suggesting that relatively more Pennsylvanians, for whatever reasons, were withholding their services from the labor market. Such a trend would be a major cause for concern. However, some of Pennsylvania's shortfall with respect to labor force participation rates is certainly due to the fact that the State is home to a relatively large number of elderly citizens who are counted as being in the population but, for obvious reasons, are not working or looking for work. Similarly, birth rates in Pennsylvania have slowed considerably and lag national norms. Hence, new entrants into the labor force are relatively smaller in Pennsylvania than in the U.S., further reducing our participation rates. However, it may be that there are relatively fewer new entries and reentries into the labor pool in the State because of the weak underlying economy alluded to earlier. Some Pennsylvanians may feel that suitable job opportunities simply do not exist. On a brighter note, as shown in the accompnying chart, the growth in the Commonwealth's labor force participation rate surpassed national averages throughout 1986 and after a downturn in early 1987, is outperforming the U.S. again, implying that the discrepency between the State and the nation is narrowing.

The true reasons behind Pennsylvania's lagging performance with respect to labor force growth and the related labor force participation rates require careful study utilizing several different approaches encompassing, to name a few, economic, sociological, and demographic research techniques. Suffice it so say that in the absence of such a study, a strong case may be made for any number of possibilities.

Recent trends in Pennsylvania's economy are illustrated nicely in the index of coincident indicators which has been rising, albeit unevenly, over the past several months suggesting that the economy is certainly in, at the least, a modest up-phase. Furthermore, the index of leading indicators suggests that more of the same is in store for the future as the general trend has been essentially up with a few plateaus along the way.

— *William D. Anderson*

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Housing Permits Report

Housing activity continued to expand in Pennsylvania during 1987, albeit at a slower pace than in the previous year. If the nation's economy slows as expected in 1988, the growth in housing activity will probably decline further and starts may even fall slightly. However, as long as the overall economy continues to expand, even only slightly, it is doubtful that any such drop will be significant. On the plus side, there is the possibility of mortgage rate declines should the Federal Reserve loosen credit conditions, as some expect they will, to keep the economy afloat. Such a development would obviously be a source of strength to the housing industry in the Commonwealth and the nation as a whole.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IVQ	13,317	10.8	10,766	4.8
1987:IIIQ	16,299	−8.8	14,162	0.0
1987 YTD	58,165	8.8	49,482	12.5

Source: U.S. Dept. of Commerce, Bureau of the Census

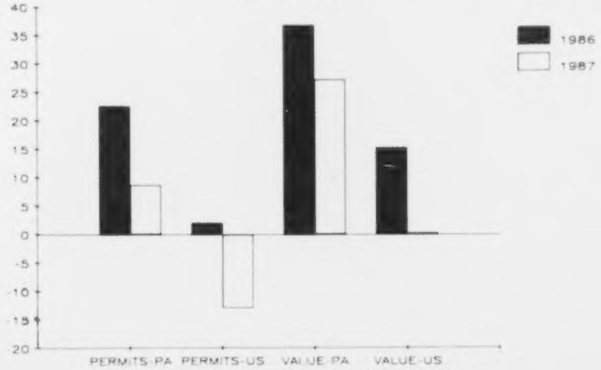
Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IVQ	900,366	28.0	793,184	22.5
1987:IIIQ	1,055,240	7.9	975,956	14.4
1987 YTD	3,817,696	27.5	3,478,514	29.4

Source: U.S. Dept. of Commerce, Bureau of the Census

All told, the number of housing units authorized by permits rose 8.8 percent last year to 58,165. Although this represents a fall-off from 1986's 22.7 percent advance, it still outpaced the nation's 13 percent drop. All of 1987's gain in Pennsylvania was accounted for by single-family homes where the number of permit authorizations, a very good indicator of housing starts, rose by 12.5 percent compared to a drop of 8.3 percent in the multi-family sector. Essentially

CHANGE IN PA AND U.S. HOUSING PERMITS
AUTHORIZED AND THEIR VALUE, 1986 AND 1987
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

the same trends are evident in examining the value of housing permits in Pennsylvania. Growth in valuations did slow but still held up well relative to national developments. The average housing permit value rose 17 percent in the Commonwealth last year, suggesting further upward pressure on home prices.

Personal Income Report

Recent indications suggest that the growth in Pennsylvania personal income appears to be more in line with national trends after falling short of U.S. gains for the past several years. This complements other trends which suggest that overall economic growth in the Commonwealth has been on par with national growth as of late. Specfically, recently released information pertaining to 1987's third quarter shows that personal income came in at $180.6 billion in Pennsylvania for a gain of 1.7 percent from the previous quarter and 5.8 percent from the year-ago period. This falls very much in line with national gains totalling 1.4 and 5.9 percent. In terms of nonfarm personal income, which is perhaps a bit more reliable than total personal income, the same general trend emerges.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1987:IIIQ	180,611	1.7	5.8	179,308	1.8	5.8
1987:IIQ	177,605	1.6	5.4	176,167	1.5	5.2
1987 YTD	177,655	n.a.	5.4	176,350	n.a.	5.3

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

However, there do appear to be problems with respect to "real" or inflation-adjusted gains. Although real total personal income continues to advance in Pennsylvania, these gains fall somewhat short of the nation's increases. A more telling indicator revolves around trends in per-worker earnings which are struggling to keep up with price gains at both the State and national levels. In fact, real per-worker earnings have declined in each of the past two quarters after rising nonstop since mid-1983 in Pennsylvania. Such a trend leaves workers worse off despite nominal gains in earnings as buying power is reduced.

However, for the most part, the news appears to be fairly encouraging in Pennsylvania and future reports should show continued improvement, especially in relative terms, as the economy closed out 1987 on a high note in the Commonwealth and is expected to perform nicely in 1988 barring a recession at the national level.

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April 1988

TRENDS REMAIN ENCOURAGING IN FEBRUARY

February brought with it further evidence that **economic activity in Pennsylvania continues to remain at a relatively high level.** Past issues of the *Survey* have tended to describe the economy as being in a "modest" or "moderate" growth phase but recent evidence suggests that such descriptors can be safely discarded, at least for now, as the economy may be more accurately described as growing at a more healthy pace. While conditions certainly are not booming, solid gains continue to be recorded, just as they have been for the past several months.

Despite a drop in the unemployment rate from a seasonally adjusted 5.7 percent in January to 5.2 percent in February, conditions on the employment/unemployment front held fairly steady. Indeed, at 5.48 million, seasonally adjusted, the number of Pennsylvanians counted as employed during the month was down an insignificant 9,000 from January. Year-ago comparisons illustrate nicely the rather impressive gains turned in by the economy as of late. In absolute terms, **the year-over-year employment gains of approximately 230,000 recorded over the past three months are, by far, the most impressive gains in recent memory.**

In that the number of initial claims for unemployment benefits continues to decline, just as it has since the end of the recession about five years ago, joblessness should continue to drop. Normally, an ensuing rise in unemployment is signalled by an extended increase in the number of initial claims.

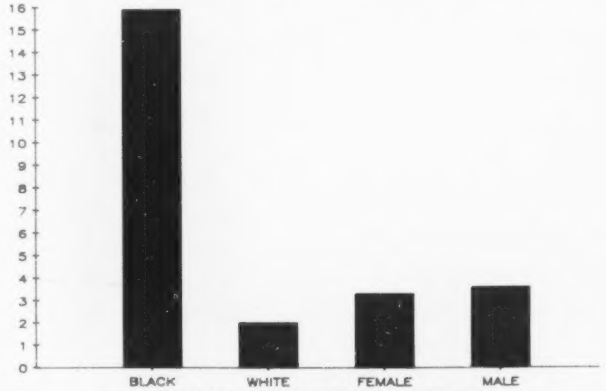
An examination of trends according to race and sex highlight some rather interesting patterns. For instance, while a solid performance has been turned in with respect to employment growth by Pennsyivania's black residents recently, the unemployment rate for the black population continues to remain stubbornly high. Specifically, 1987:IVQ data show that, at 11.2 percent, the black jobless rate remains more than twice as high as the comparable figure for the white population (see chart). Such a gap has existed throughout the current economic recovery which began around 1982/1983.

Furthermore, the vast majority of the highest unemployment rates at the county level are concentrated in the western half of the Commonwealth. In light of these discrepencies, **it is still quite apparent that, despite the rash of good news of late on the employment/unemployment front, problems still remain.**

Although there was a slight drop of 2,000 in the number of manufacturing jobs, to a seasonally adjusted 1,054,000, **overall trends in Pennsylvania's factories remain encouraging.** February's drop represents the first such decline since last August, so it should certainly not be a major cause for concern. Trends in several other indicators of manufacturing's health, such as the average workweek, total hours worked, total payrolls, and electricity sales to industry, also suggest that the factory sector took a breather in February. Again, however, the trend in these indicators over the past several months has also been up and is likely to continue to improve in the near future.

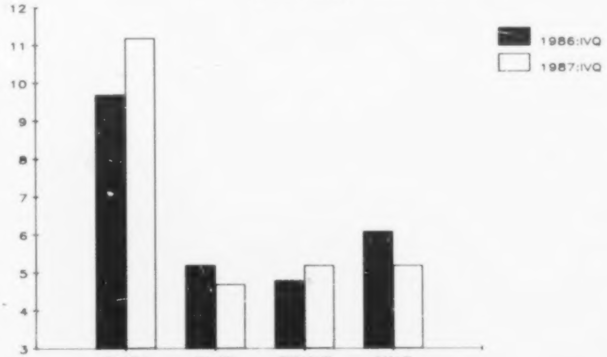
Many times in the past, we have cautioned against focus-

PA EMPLOYMENT GROWTH RATES BY RACE AND SEX: 1986:IVQ-1987:IVQ (percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PA UNEMPLOYMENT RATES BY RACE AND SEX: 1986:IVQ AND 1987:IVQ (percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

ing too much on job levels in gauging the overall strength of the manufacturing sector. **In light of productivity increases and input substitution, many argue that the job numbers do not portray an adequate picture of industrial production.** Indeed, as shown in the accompanying chart, while there has been an unmistakable long-run decline in the number of manufacturing positions, the "trend line" with respect to electricity sales to industry, a good proxy for production trends, appears to be horizontal, implying that production is holding its own despite the loss of jobs.

With this issue of the *Survey*, we introduce additional information which will be helpful in tracking the State's factory sector: average hourly and weekly earnings by production workers. Recent trends in these two series have been quite interesting. Without a doubt, average hourly and weekly earnings, in current or nominal dollars, have been on the rise. In fact, **earnings have nearly tripled since the early 1970s. However, when price gains are taken into account, real earnings have only held steady. In other words, buying power has not increased.**

Nonmanufacturing activity continues to show signs of increasing, especially in the services area. All told, there were a seasonally adjusted 3.94 million positions maintained in the Commonwealth's nonmanufacturing establishments, up by 2,000 from January. The services industries again turned in a solid showing as they added about 7,000 workers after adjusting for normal seasonal trends.

The rather large seasonally adjusted decline in State and

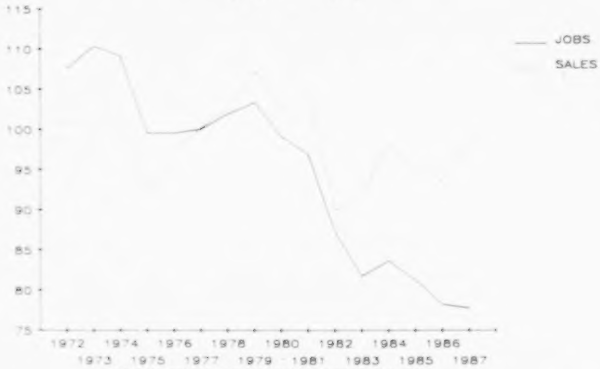
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Jan.	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,908*	4,909	4,776	4,995*	4,996	4,864	109.4*	109.4	106.5
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,860*	3,862	3,749	3,939*	3,941	3,829	122.2*	122.3	118.8
Mining	29*	29	31	31*	31	32	63.9*	63.7	67.1
Contract construction	202*	197	187	227*	228	217	123.2	123.7	117.8
Transportation	139*	138	138	142*	140	140	88.1	87.1	87.1
Public Utilities	105	105	103	105	105	103	103.8	104.5	102.6
Wholesale trade	265*	265	258	268*	269	262	120.6	121.5	118.1
Retail trade	858*	843	822	871*	871	850	121.5*	121.4	118.5
Finance, insurance & real estate	292*	291	286	295*	295	290	135.4	135.7	133.1
Service & miscellaneous	1,286*	1,298	1,237	1,308*	1,315	1,253	151.6	152.4	145.3
Federal government	143*	143	138	144*	143	139	112.1*	111.8	108.6
State & local government	543*	552	550	551*	545	543	94.5*	93.5	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,046*	1,044	1,025	1,056*	1,054	1,035	78.7*	78.6	77.2
Durable goods	596*	594	578	602*	601	585	74.4*	74.3	72.2
Nondurable goods	450*	450	448	454	453	451	85.4*	85.1	84.7
Ave. wkly. hrs. worked by prod. workers	40.9	40.8	40.5	41.1	41.0	40.7	104.0	103.9	103.0
Total wkly. person-hours worked (mils.)	29.1*	29.1	28.1	29.6	29.5	28.5	77.1*	76.9	74.3
Total wkly. payroll (mil. dols.)	296.3*	294.9	276.2	300.2	299.7	280.6	133.6	133.4	124.9
Average hourly earnings (dollars)	10.17	10.15	9.84	10.16	10.12	9.81	173.7*	173.0	167.7
Average weekly earnings (dollars)	415.95	414.12	398.52	416.78	417.04	401.05	180.2*	180.3	173.4
Steel production (thous. tons)	1,110	1,065	628	n.a.	n.a.	n.a.	54.3	46.9	28.7
Industrial electric power sales (mil. kwh)	3,718	3,851	3,412	3,778	3,702	3,417	102.3	100.2	92.5
Mining									
Anthracite coal (thous. net tons)	274	341	264	335	412	331	68.5	84.4	67.9
Bituminous coal (thous. net tons)	5,364	5,260	5,838	5,567	5,129	6,089	78.9	72.7	86.3
Construction contracts awarded (mil. dols.)									
Total	562.0	491.1	501.2*	918.1	769.7	749.3*	285.4	239.2	232.9*
Residential building	269.2	235.9	174.0*	538.8	416.1	321.0*	382.8	295.7	228.1*
Nonresidential building	186.1	190.1	158.6*	234.5	283.3	243.6*	216.2	261.2	224.5*
Nonbuilding (utilities and public works)	106.6	65.1	168.6*	144.8	70.3	184.7*	199.8	97.0	254.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,372	5,319	5,082	5,489	5,480	5,247	114.2	114.0	109.2
Unemployed									
No. of persons (thous.)	356	334	349	327	300	311	81.4	74.8	77.7
Rate (percentage of labor force)	6.2	5.9	6.4						
Rate, seasonally adjusted				5.7	5.2	5.6			
Civilian labor force, no. of persons (thous.)	5,728	5,653	5,431	5,816	5,780	5,559	111.7	111.0	106.8
Initial claims for unemployment benefits	143,595	88,638	91,710	94,272	92,706	102,598	65.8	64.8	71.7

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	Jan.	*Feb.*	*Feb.*		
U.S. city average	115.7	116.0	111.6	+0.3	+3.9
Philadelphia	119.3	119.3	113.9	0.0	+4.7
Pittsburgh	n.a.	113.3	109.8	n.a.	+3.2

[1] Total includes workers on strike. * = figure revised

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA MANUFACTURING JOBS AND ELECTRICITY
SALES TO INDUSTRY
(1977=100)



SOURCE: CENTER FOR REGIONAL BUSINESS ANALYSIS

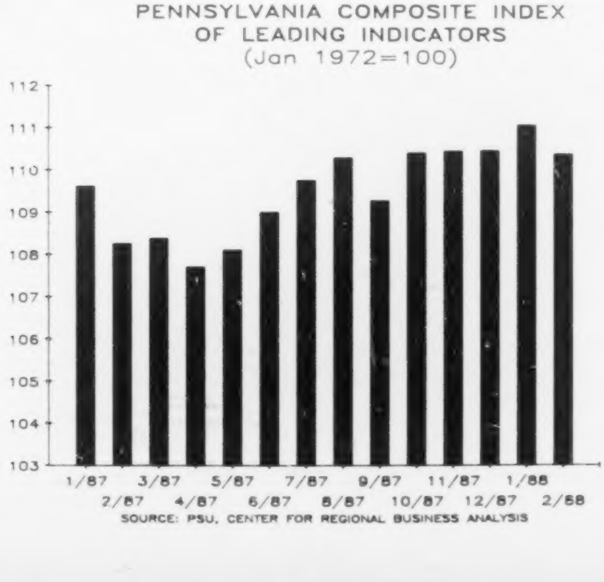
local government positions deserves some attention. Job levels in these establishments drop considerably each January, largely because many colleges and universities remain closed for an extended period of time following the Christmas holiday, before increasing again in February. Indeed, that was the case this year. Job levels dropped by 13,000 in January and increased by 9,000 in Febrary. However, in that February usually brings with it a gain of 15,000, the end result was a seasonally adjusted decline of 6,000 jobs.

Construction activity continued to slow in Pennsylvania this past February as the value of contracts awarded fell for the fifth time in the past six months. The February decline was concentrated in the residential and nonbuilding sectors as nonresidential building contracts rose in value. It should be noted that the value of construction contracts awarded is subject to wide swings, especially in the typically slow winter months. In all likelihood, we will have to wait until activity picks up in the spring to obtain a more reliable reading of trends in this all-important industry.

The index of leading indicators has held fairly steady for the past several months, suggesting that the economy is in little danger of slumping considerably. At the same time, there are few signals suggesting that growth will accelerate anytime soon.

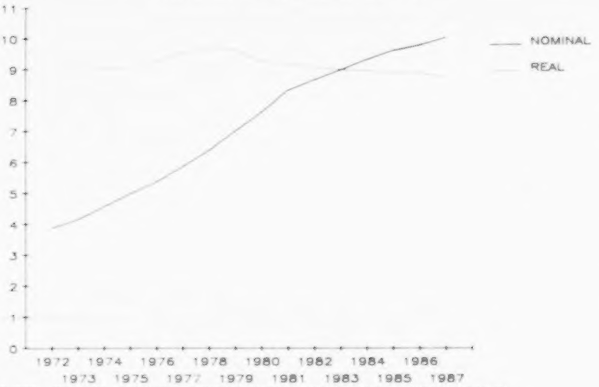
— *William D. Anderson*

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



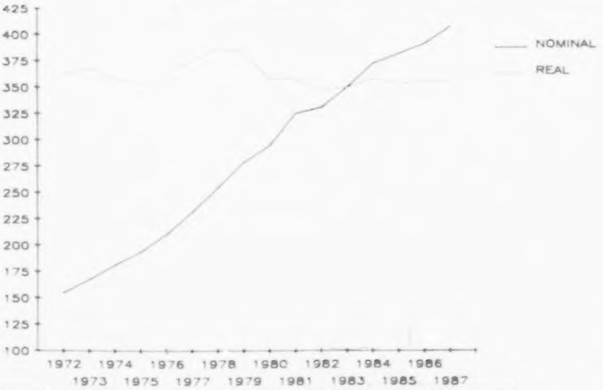
SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

NOMINAL (dollars) AND REAL (1982-1984 dollars)
HOURLY EARNINGS IN PA



SOURCE: DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

NOMINAL (dollars) AND REAL (1982-1984 dollars)
WEEKLY EARNINGS IN PA



SOURCE: DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

Retail Sales Report

Last year brought with it further good news on the retail sales front in Pennsylvania as a fairly healthy 6.8 percent gain pushed sales to $72.6 billion. Although this translates into the smallest increase since 1982, it does represent the third consecutive year in which sales growth in the Commonwealth has outpaced the U.S. as a whole. Nationally, growth came in at 3.6 percent. Durable goods purchases led the way as they advanced at an 10.8 percent clip last year compared to a 4.5 percent increase in the nondurable goods category.

Additionally, last year's retail sales performance also resulted in "real" or inflation-adjusted increases. After discounting for price increases, retail sales in Pennsylvania grew at a 2.6 percent rate while sales at the national level were essentially unchanged from 1986 readings (see chart).

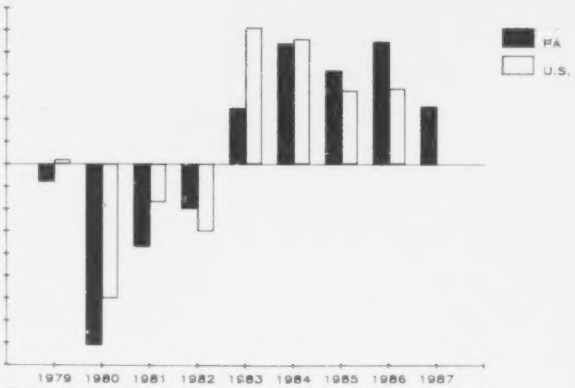
Much has been made of the response of the economy, and especially consumers, to the August-October stock market

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct. change from yr. ago	Durable goods	Pct. change from yr. ago	Nondur. goods	Pct. change from yr. ago
1987:IVQ	20,133	7.0	7,078	11.0	13,055	4.9
1987:IIIQ	18,520	6.8	7,309	10.6	11,211	4.5
1987 YTD	72,571	6.8	26,595	10.8	45,976	4.5

Data are preliminary.
Source: U.S. Dept. of Commerce, Bureau of the Census

crash. Although some caution appears to have been exercised by consumers at the national level, the catastrophic results expected by many failed to materialize. Furthermore, a strong case can be made arguing that Pennsylvanians were even less discouraged by the market's difficulties and their spending patterns were little changed as 1987 came to a close. Indeed, some have contended that the difficulties were limited to Wall Street and failed to spread to other regions. Hence, while consumer spending is expected to slow nationwide this year, only time will tell if a similar slowing occurs in the Commonwealth.



PA AND U.S. REAL RETAIL SALES GROWTH
(percent)

SOURCE: U.S. BUR. OF THE CENSUS; CENTER FOR REGIONAL BUSINESS ANALYSIS

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May 1988

PENNSYLVANIA ECONOMY REMAINS ON SOLID GROUND...

more growth likely if the U.S. economy remains healthy

The Commonwealth's economy continued to hold its own in March as **nonmanufacturing appears to have again moved to the forefront with respect to job generation.** Trends over the past two months suggest that Pennsylvania's manufacturers have taken a breather after adding workers for several months. Some have attributed similar sluggishness in manufacturing job growth at the national level to the working off of the well-publicized inventory buildup which occurred during the final months of 1987. Hence, this may explain at least part of the recent sluggishness in Pennsylvania, although the lack of any reliable data precludes any final judgement.

In the February issue of the *PBS*, we suggested that Pennsylvania had a good opportunity to turn in a solid economic showing relative to the U.S. this year. First quarter trends suggest that this may, indeed, be happening. In fact, **the growth so far this year in the labor force and employment has been about twice as large in Pennsylvania as it has in the U.S.** (see chart). In addition, the Commonwealth's jobless rate remains below similar readings for the U.S. March's seasonally adjusted 5.1 percent unemployment rate compares quite nicely with the U.S.' 5.6 percent rate as it remained below national averages for the 22*nd* consecutive month.

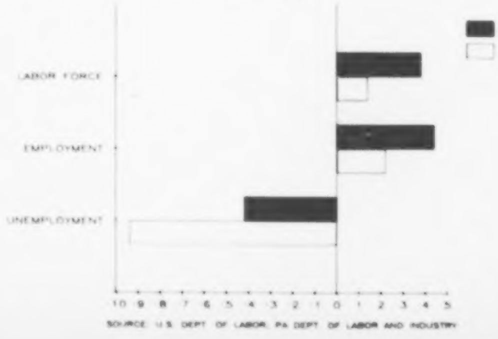
On the nonagricultual jobs front, while Pennsylvania has been outperformed so far this year by the U.S., the shortfall has been minimal. Furthermore, even though it is somewhat distorted by the impact of the USX labor-management dispute which depressed 1987:IQ job totals, the job gains turned in so far by manufacturing this year are certainly good news. Other indicators of manufacturing's health such as hours worked, payrolls, earnings, steel production, and industrial power sales, also turned in solid showings compared to 1987 experiences.

As an aside, much has been made of the discrepancy in growth between, roughly, the eastern and western halves of Pennsylvania. Indeed, as the accompanying chart shows, the northeastern and southeastern quarters of the State, made up of the respective metropolitan areas in these regions, have outperformed the other regions of the Commonwealth by a wide margin going back to the beginning of the recovery. However, more recent trends suggest that this discrepancy is lessening. In fact, **the northwestern quarter, made up of the Erie and Sharon metro areas, has turned in the strongest job gain so far this year.**

Nonmanufacturing establishments continue to set new job records on essentially a monthly basis. The strength in these industries, and especially in the service-producing area, continues to surprise many analysts. As has been pointed out several times in recent months in the *Survey*, the dark cloud on the economic horizon at the beginning of the year was an expected retrenchment on the part of the nation's consumers due, in large part, to last fall's stock market difficulties. It was assumed that Pennsylvanians would take part equally in such a cutback. Since then, however, it has become apparent that, despite slightly more cautious behavior, consumers at the national level have surely held their own. Additionally, what little evidence there is suggests that Pennsylvania residents have been even less inclined to reign in spending. As a result, job gains in the service-producing industries, which would be heavily hit by a more conservative consumer, have risen in the U.S. and while growth has dropped off slightly in the State, service-producing jobs continue to advance at a respectable pace. Combined with the stronger showing on the part of Pennsylvania's factories, **the result has been a much improved economy in the Commonwealth during this year's first quarter, at least on the employment/jobs front.**

Unfortunately, this optimism is tempered somewhat by some worrisome trends that have just begun to show up. **It is important to keep in mind that activity in this year's**

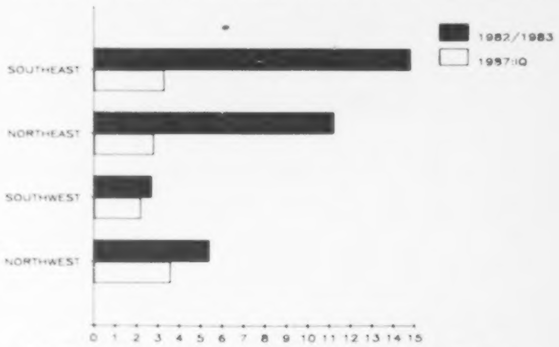
PA AND U.S. 1987:IQ-1988:IQ GROWTH IN RESIDENT LABOR FORCE, EMPLOYMENT, AND NUMBER UNEMPLOYED
(percent)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

first quarter is being compared to a rather weak first quarter of 1987. As a result, it is not too surprising that year-over-year comparisons provide reason for optimism. At the same time, **month-to-month growth so far this year, in many cases, has been quite sluggish.** As pointed out above, manufacturing jobs fell in both February and March after discounting for seasonal trends. This comes after five straight monthly gains. While January factory job readings were at their highest levels in nearly two years, March's seasonally adjusted 1.05 million manufacturing positions in Pennsylvania represent the lowest total since last November. Furthermore, resident employment also declined in February and March. March's decline totaled a rather large seasonally adjusted 50,000. Much the same is true with respect to the labor

PA NONAGRICULTURAL JOB GROWTH BY REGION
(percent; 1982/1983-1988:IQ and 1987:IQ-1988:IQ)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Feb.	*March*	*March*	*Feb.*	*March*	*March*	*Feb.*	*March*	*March*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,914*	4,948	4,817	5,001*	5,004	4,873	109.5*	109.6	106.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,867*	3,901	3,785	3,946*	3,953	3,836	122.4*	122.6	119.0
Mining	29	30	31	31	30	31	63.9*	63.3	65.4
Contract construction	198*	207	196	228	230	219	123.8*	125.2	119.1
Transportation	139*	141	139	141*	142	141	87.9	88.1	87.4
Public Utilities	105	105	103	105	106	104	104.4*	105.1	103.2
Wholesale trade	265	266	259	269	269	262	121.3*	121.1	118.0
Retail trade	845*	847	830	873*	868	851	121.7*	121.1	118.6
Finance, insurance & real estate	291	293	287	294*	295	290	135.3*	135.8	133.4
Service & miscellaneous	1,297*	1,309	1,246	1,314*	1,320	1,256	152.3*	153.0	145.6
Federal government	143	143	139	144*	144	140	112.0*	112.1	109.0
State & local government	556*	561	555	548*	550	544	94.1*	94.4	93.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,045*	1,045	1,031	1,055*	1,051	1,037	78.6*	78.3	77.3
Durable goods	595*	596	583	602	600	587	74.3	74.1	72.4
Nondurable goods	450	449	448	453	451	451	85.1	84.7	84.6
Ave. wkly. hrs. worked by prod. workers	40.8	40.8	40.5	41.0	40.9	40.6	103.9	103.4	102.7
Total wkly. person-hours worked (mils.)	29.0*	29.1	28.3	29.5	29.3	28.5	76.9	76.4	74.3
Total wkly. payroll (mil. dols.)	294.7*	294.9	278.6	299.5*	297.3	280.8	133.3*	132.3	125.0
Average hourly earnings (dollars)	10.15	10.13	9.84	10.12	10.15	9.85	173.0	173.5	168.4
Average weekly earnings (dollars)	414.12	413.30	398.52	417.04	414.13	399.34	180.3	179.0	172.6
Steel production (thous. tons)	1,065	1,186	895	n.a.	n.a.	n.a.	46.9	46.1	34.7
Industrial electric power sales (mil. kwh)	3,851	3,832	3,534	3,702	3,813	3,475	100.2	103.2	94.1
Mining									
Anthracite coal (thous. net tons)	341	355	305	412	375	335	84.4	76.8	68.6
Bituminous coal (thous. net tons)	5,260	5,802	6,259	5,129	5,402	5,626	72.7	76.6	79.8
Construction contracts awarded (mil. dols.)									
Total	491.1	890.8	1128.8*	769.7	769.4	1007.4*	239.2	239.2	313.1*
Residential building	235.9	428.1	364.3*	416.1	379.6	334.9*	295.7	269.7	237.9*
Nonresidential building	190.1	217.5	453.6*	283.3	192.0	432.8*	261.2	177.0	398.9*
Nonbuilding (utilities and public works)	65.1	245.2	305.8*	70.3	197.8	239.7*	97.0	273.0	330.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,319	5,304	5,110	5,480	5,429	5,238	114.0	113.0	109.0
Unemployed									
No. of persons (thous.)	334	314	340	300	293	321	74.8	73.1	80.1
Rate (percentage of labor force)	5.9	5.6	6.2						
Rate, seasonally adjusted				5.2	5.1	5.8			
Civilian labor force, no. of persons (thous.)	5,653	5,617	5,450	5,780	5,722	5,559	111.0	109.9	106.8
Initial claims for unemployment benefits	88,638	77,033	81,084	92,706	90,624	94,779	64.8	63.3	66.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	Feb.	*March*	*March*	*Ago*	*Ago*
U.S. city average	116.0	116.5	112.1	+0.4	+3.9
Philadelphia	119.3	119.6	114.0	+0.3	+4.9
Pittsburgh	113.3	n.a.	109.8†	n.a.	+3.2

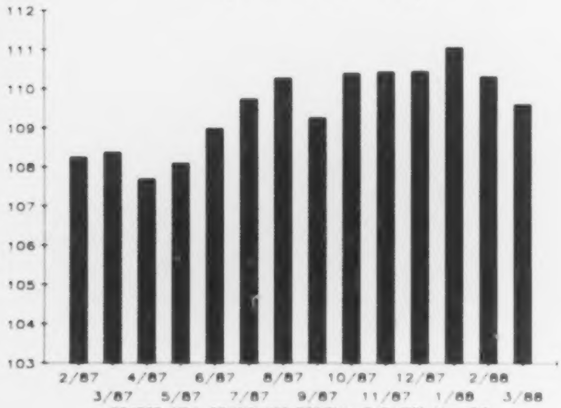
[1] Total includes workers on strike. * = figure revised † = figure for February 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

force. Should these trends continue, **the second half of 1988 may bring with it a rather poor showing with respect to employment gains, especially compared to a solid showing during the final months of 1987. Indeed, these worrisome trends are showing up in the index of leading indicators which turned in its second straight decline in March.**

In sum, however, March brought with it, for the most part, additional good news on the Pennsylvania economy. While there may be periodic monthly downturns, overall trends are certainly encouraging. Furthermore, in light of a stronger-than-expected national economy, it is safe to say that the Commonwealth should continue to post relatively healthy numbers.

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Around the State

Northeastern Quarter

Allentown-Bethlehem

The news on most fronts was good in the four-county Allentown-Bethlehem metro region during this year's first quarter. The area followed Statewide trends as there was little change on a month-to-month basis with respect to employment and the labor force, but year-ago comparisons suggest that at least a fair amount of improvement has taken place. For instance, the number of residents counted as employed was essentially unchanged from 1987:IVQ levels after seasonal adjustment, but was 8,700 greater than a year earlier for a 3 percent gain. Resident employment totaled 300,900 in the first quarter for another record. This helped pave the way for a drop in the jobless rate to 5.2 percent, down from 5.6 percent during the first three months of 1987.

The news was also encouraging in the region's nonagricultural establishments as 5,000 positions were added to payrolls compared to a year ago, leaving the number of jobs maintained in these industries at 270,400. All of first quarter's job gain occurred in the nonmanufacturing sector which continued to add positions as it has since 1983. These establishments added 7,100 positions on an annual basis, with 5,500 of these new jobs coming in the service-producing industries. The remainder came in the construction industry where jobs totaled 12,800 following a 1,600 gain from a year earlier. The behavior of construction contracts awarded also suggests that activity moved ahead at a substantial pace as residential contracts awarded advanced by nearly one-fourth compared to the first quarter of 1987 and nonresidential valuations nearly doubled.

Allentown-Bethlehem Area[1]

	Ave. mo. value *1 Q.'88*	Average monthly index seas. adj. (1977 = 100) *1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	300.9	112	112	109
Unemployed, no. of residents	16.4	78	80	81
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	317.3	110	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	270.4	107	106	105
Nonmfg. only, no. of jobs	194.7	134	132	129
Mfg. only, no. of jobs	75.6	70	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	104	105	104
Industrial electric power sales				
Metropolitan area	***	113	112	106
Allentown	***	97	102	99
Bethlehem	***	124	120	111
Easton	***	111	111	105

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	80.4	+24
Nonresidential contracts only	42.7	+90

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

At the same time, the situation in manufacturing remains troubling, at least on the jobs front. First quarter saw another 2,200 positions lost relative to a year ago as job levels, at 75,600, remained at an all-time low. This, however, certainly overstates the problems facing these industries. While manufacturing jobs continue to be lost, it is safe to assume that production is at least holding its own and is probably on an upward trend. This contention is backed up by the behavior of electricity sales to industry which have been on a general upward path for the past several years. Furthermore, although it is low relative to other regions around the State, first quarter's 39.4 hour average factory workweek is rather high for the region. This measure of manufacturing activity is kept low because of a relatively high concentration of workers in the apparel products industry which traditionally has a short workweek. On the durable goods side, the average workweek in the metro area remains similar to Statewide averages.

While much of the news in the region is encouraging, recent gains suggest that the Allentown-Bethlehem metro area is, at best, turning in a performance very similar to the situation Statewide. Indeed, while recent job and employment gains have certainly been good news, they have not allowed the area to increase its share of overall Pennsylvania employment. In fact, at 5.5 percent, the region's share of the Commonwealth's nonagricultural jobs in 1987 was identical to

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value *1 Q.'88*	Average monthly index seas. adj. (1977 = 100) *1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	323.1	117	116	112
Lackawanna County[2]	99.3	113	112	109
Luzerne County[3]	143.7	111	110	107
Unemployed, no. of residents				
Metropolitan area	24.5	72	76	80
Rate, seasonally adjusted	6.4			
Lackawanna County[2]	6.9	65	70	70
Luzerne County[3]	11.9	77	79	87
Civilian labor force, no. of residents				
Metropolitan area	347.7	113	112	109
Lackawanna County[2]	106.1	108	108	105
Luzerne County[3]	155.6	108	107	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	289.2	113	112	110
Nonmfg. only, no. of jobs	218.4	126	124	121
Mfg. only, no. of jobs	70.9	86	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.4	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	111	114	105
Lackawanna County[2]	***	123	123	120
Luzerne County[3]	***	98	100	96
Hazleton	***	88	94	88
Wilkes-Barre	***	102	104	98
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	56.9	+49		
Nonresidential contracts only	36.1	+ 4		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

its share in 1978. Nonetheless, there is no denying that considerable improvement has occurred in the region. In addition, further good news appears likely as the nation's economy continues to show solid gains. Whether or not the region can improve its standing relative to the rest of the State is dependent upon the health of manufacturing.

Scranton-Wilkes-Barre

This year's first quarter turned out to be a relatively sound one in the Scranton-Wilkes-Barre metropolitan area economy, especially when comparisons are made to the 1987:IQ situation. Furthermore, should manufacturing hold its own and the nation's economy continue to expand at a satisfactory pace, more good news is possible in the coming months.

Similar to the State as a whole, the five-county region appears to have finally reached the bottom in terms of manufacturing jobs. Future months could very well see a slight upward trend, or, at worst, minimal declines. At 70,900, factory job levels were off by only 200 from year-ago readings. Furthermore, after seasonal trends are discounted, manufacturing positions have increased slightly in each of the past two quarters. The performances of the area's largest manufacturing industries have been mixed so far this year. Apparel manufacturers have lost 500 jobs over the course of a year while fabricated metals industries have lost 300 workers. On the other hand, printing and publishing and food products have turned in job gains of 100 and 300, respectively.

Nonmanufacturing continues to supply the bulk of all new jobs in the region as 8,500 positions were added to industry payrolls in the year ending with the first quarter. The 218,400 jobs in these establishments represent a record high after seasonal trends are discounted. Essentially all nonmanufacturing industries have contributed to recent job gains. Only the region's mining establishments realized a net job loss relative to the first quarter of 1987. The construction, transportation and public utilities, trade, finance, services, and government sectors each added workers, with an especially strong gain of 3,700 being recorded in the services category. The gain of 300 jobs in the construction industry, along with gains in the value of contract awards, suggests that building activity remains strong.

On the strength of these gains, a solid showing was turned in with respect to resident employment. After seasonal adjustment, first quarter brought with it the fifth consecutive gain in employment for another record. All told, 13,000 more residents were counted as employed in the first quarter compared to a year ago in rising to 323,100. This was strong enough to absorb a gain of 10,500 in the labor force and reduce the number of unemployed by 2,600. The end result was a percentage point drop in the jobless rate to 7.1 percent.

Monroe County turned in the strongest performance as employment expanded at a 4.5 percent rate on an annual basis in the first quarter, though each of the other counties trailed only slightly behind. However, in examining trends over the long-term, discrepancies are apparent as 1978-1987 resident employment growth ranged anywhere from 5.3 percent in Luzerne County to 41.4 percent in Monroe County. In fact, the Monroe County gain was nearly twice as large as the next largest increase of 22.9 percent turned in by Wyoming County. Clearly, caution is required in analyzing region-wide trends in light of these rather large differences.

Williamsport

Economic conditions in Lycoming County remained encour-

Williamsport Area[1]

	Ave. mo. value *1 Q.'88*	Average monthly index seas. adj. (1977 = 100) *1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	56.0	123	121	111
Unemployed, no. of residents	4.0	75	79	69
Rate, seasonally adjusted	5.6			
Civilian labor force, no. of residents	60.0	119	117	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.5	114	112	106
Nonmfg. only, no. of jobs	34.9	126	123	117
Mfg. only, no. of jobs	16.6	96	94	87
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	106	107	104
Industrial electric power sales	***	113	88	84
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.2	+62		
Nonresidential contracts only	0.1	−95		

[1] Lycoming County

aging during the first three months of 1988, continuing a string of impressive performances. Once again, the best news comes from the manufacturing sector where the 16,600 positions maintained in these establishments represent a gain of 1,500 from year-ago readings. The majority of recent manufacturing job gains has occurred in the durable goods sector, including the lumber and wood products industry which is probably the result of continued strength in construction activity. A sizeable gain was also turned in by the transportation equipment industry. While factory job levels have just started to rebound after dropping almost continuously since mid-1984 in Pennsylvania, the trend in the Williamsport area has been up essentially since the end of the recession around the beginning of 1983. Still, some room may remain for improvement as pre-recessionary job levels have yet to be reached, but that goal may be too lofty.

At the same time, job levels in the region's nonmanufacturing establishments continue to advance. In fact, the 34,900 positions maintained in these industries during this year's first quarter represent another record high after adjusting for seasonality. These establishments have been operating with workforces at or near record levels since mid-1985. As a result of this balanced picture, total nonagricultural job growth in the Williamsport metro area has remained above Statewide growth throughout much of the recovery. The 8.2 percent nonfarm job gain between the first quarters of 1987 and 1988 is three times as large as the growth rate for all of Pennsylvania.

This good news is reflected in another solid showing on the employment/unemployment front. The number of Lycoming County residents counted as employed rose by 5,500 from 1987's first quarter to stand at 56,000 during the first three months of this year, a new record if seasonal trends are taken into account. This paved the way for a slight decline in the jobless rate from 7 to 6.7 percent, unadjusted. The decline would have been larger were it not for a huge 10.5 percent increase in the labor force. This gain, however, provides further evidence of exceptional overall strength as an expanding labor force is typically associated with a healthy economy. Throughout Pennsylvania, the labor force grew at a 3.8 percent clip over the same period.

The region's solid showing is rounded out by continued strength in construction activity. Residential construction contract values rose by 62 percent from year ago readings in the first quarter in settling at $4.2 million. A large drop in nonresidential contract values is misleading in that this category is subject to wide swings as a result of the inclusion of relatively large projects. Construction jobs rose by 100 on a year-over-year basis.

Southwestern Quarter

Altoona

Blair County appears to have followed Statewide trends in that the first quarter brought with it a considerable amount of good news. As with Pennsylvania as a whole, whether or not the future will bring with it a continuation of the recent positive trends in the Altoona metropolitan area is very much dependent on what happens nationally. Current signals suggest that the nation's economy will continue to move ahead at a fair pace which should spell good news for the local economy.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'88	*1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	54.1	108	106	103
Unemployed, no. of residents	4.8	106	116	107
Rate, seasonally adjusted	6.9			
Civilian labor force, no. of residents	58.8	108	107	103
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.5	102	100	99
Nonmfg. only, no. of jobs	39.4	107	105	103
Mfg. only, no. of jobs	11.1	88	87	85
Hrs. worked by production workers in mfg., ave. *weekly*	40.3	107	103	103
Industrial electric power sales	***	77	79	75

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	5.1	+113
Nonresidential contracts only	7.0	+119

[1] Blair County

One result of this strong showing has been a fairly significant drop in unemployment. First quarter's jobless rate, at 8.1 percent, was down 0.3 percentage point from 1987:IQ. After adjusting for seasonality, the rate was off 0.7 percentage point from fourth quarter readings. Strength on the employment front has helped drive unemployment down. Between the first quarters of 1987 and 1988, the number of Blair County residents counted as employed rose by a solid 2,500 in settling at 54,100, a new record after discounting for seasonal trends. Labor force growth has also picked up lately, preventing joblessness from declining even further.

Although a major portion of the gain in employment has been fueled by the nonmanufacturing sector, especially in the service-producing industries, manufacturing appears to now be making a welcome contribution as job levels have been drifting upward. Compared to the year-ago period, the 11,100 positions in these establishments represent a gain of 300. After adjusting for seasonality, job levels have held steady or advanced slightly in each of the past six quarters. At 40.3 hours, the average factory workweek stood at a record high during the first quarter which should help prop up manufacturing job levels. Industrial power sales, however, remain fairly low which suggests that some slack remains. There appear to be no question marks, however, when the focus is nonmanufacturing. All told, there were 39,400 jobs maintained in these establishments in the first quarter, a record high and a gain of about 1,400 jobs over a year ago. Essentially all of these new jobs were created in the service-producing industries. Construction activity appears to be holding up well. While job levels have held steady in the industry, contract values more than doubled for both residential and nonresidential projects.

Still, it must be kept in mind that, despite the abundance of good news of late, conditions are far from booming. The fact is that the Blair County economy has grown at about the same pace as the State as a whole over the course of the past several years. Indeed, there is little difference in the share of Pennsylvania jobs accounted for by the Altoona metro area when the years 1978 and 1987 are compared. Clearly, long-run trends suggest that the region is growing at essentially an average pace.

Johnstown

The economy of the two-county Johnstown metropolitan area appears to be finally holding its own after going through an extended period of relative decline. However, in light of all of the ground lost in recent years (the region's share of Pennsylvania nonfarm jobs has dropped by about 16 percent over the past decade), considerable room remains for improvement. Unfortunately, it is not likely that a significant portion of the region's recent losses will ever be reversed.

Nonetheless, first quarter trends were encouraging. Especially good news is found in construction activity. The value of residential construction contract awards more than doubled from year-ago readings while a solid 29 percent gain was recorded on the nonresidential side. At 2,200, construction jobs were at their highest first quarter reading since 1981. The news was somewhat encouraging elsewhere in the nonmanufacturing sector, though these industries are not growing as rapidly as in the State as a whole. Within the broad service-producing category, the services industry added 800 jobs in the first quarter compared to a year ago while wholesale and retail trade establishments added 300 positions.

Elsewhere, manufacturing activity continues to show signs of improvement, though the gains have fallen short of being impressive. Relative to the first quarter of 1987, 500 jobs have been added to the area's factory payrolls. Additionally, after adjusting for seasonal trends, job levels have been on an upward trend for about two years. Still, the 13,000 positions maintained in these establishments during the first three months of this year are only about one-half of the peak readings of approximately two decades ago. On a slightly more positive note, the average factory workweek is at its second-highest level on record and electricity sales to industry, a good proxy for production trends, despite a decline in the first quarter, remain quite high in historical terms.

Johnstown Area[1]

	Ave. mo. value 1 Q '88	Average monthly index seas. adj. (1977 = 100) 1 Q '88	4 Q '87	1 Q '87
Employment *(in thousands)*				
Employed, no. of residents	85.0	91	91	88
Unemployed, no. of residents	8.7	68	76	71
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	93.7	89	89	87
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.3	90	90	88
Nonmfg. only, no. of jobs	64.3	99	99	98
Mfg. only, no. of jobs	13.0	63	62	60
Hrs. worked by production workers in mfg., ave. weekly	39.8	103	103	99
Industrial electric power sales	***	176	183	170
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	12.3	+120		
Nonresidential contracts only	4.9	+29		

[1] Cambria and Somerset Counties

Hence, although problems certainly remain in the goods-producing sector, the most encouraging signs in 1988 will probably come from construction and manufacturing, though the gains in the latter will remain modest.

Unemployment in the region continued to fall. At 9.3 percent, unadjusted, the jobless rate was down 0.6 percentage point from the first quarter of 1987. After seasonal adjustment, the rate was down 0.9 percentage point from fourth quarter 1987 readings. The number of residents counted as employed rose by 2,900 between the first quarters of 1987 and 1988. This increase was strong enough to absorb a net inflow into the labor force totaling 2,500 and reduce the number of residents counted as unemployed by 400. Despite the recent good news on the employment/unemployment front, long-run trends remain worrisome as employment is increasing modestly, at best, while the labor force shows a downward trend.

Pittsburgh-Beaver Valley

Economic activity appears to have increased again in the five counties making up the Pittsburgh-Beaver Valley region although much of the growth occurred outside Beaver County. Furthermore, while some recent gains may be interpreted as being rather impressive, a review of long-term trends showing that the region has been outperformed by the U.S. and Pennsylvania suggests that problems remain.

Most indicators suggest that most, if not all, of the manufacturing job losses which have rocked the region in recent years have ended. In fact, 3,300 positions were added in these establishments between the first quarters of 1987 and 1988 in the four counties making up the Pittsburgh metro area while job levels held steady in Beaver County. Additionally, the relatively high average factory workweek should continue to help prop up job totals. This still leaves the region with a considerable amount of ground to be made up in both absolute and relative terms. Together, the five counties accounted for 19 percent of the State's manufacturing jobs in 1978. As of 1987, the comparable figure was 12.8 percent.

The situation is a bit more encouraging in the nonmanufacturing sector where the service-producing industries have generated a significant number of new jobs. Recent gains have pushed nonmanufacturing job levels to a new record in the Pittsburgh region and to a near-record in Beaver County. Despite these gains, both short- and long-run trends show the region lagging behind Statewide norms in terms of growth. Clearly, additional strength on the part of manufacturers would be beneficial by filtering into the service-producing industries, fueling additional growth.

Construction appears to be more than holding its own throughout the five-county region. Contract awards during this year's first quarter were up in value over a year ago on the residential side and down only slightly for nonresidential projects in the Pittsburgh area. Awards were up in both categories in Beaver County, including a large 163 percent gain on the nonresidential side. Job levels appear to have essentially held steady in the construction industry.

On the employment/unemployment front, weak employment gains in Beaver County have helped keep joblessness stubbornly high. Specifically, first quarter's 10.4 percent

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	880.4	104	103	101
Beaver County	55.8	67	66	66
Unemployed, no. of residents				
Pittsburgh[1]	66.5	94	97	102
Beaver County	6.4	92	92	94
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.2			
Beaver County	9.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	946.9	103	102	101
Beaver County	62.2	69	68	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	849.7	100	99	98
Beaver County	50.4	67	67	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	724.9	114	113	112
Beaver County	40.8	109	108	109
Mfg. only, no. of jobs				
Pittsburgh[1]	124.8	57	57	56
Beaver County	9.6	26	26	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	42.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	60	66	51
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	94.9	+ 21		
Beaver County	3.7	+ 61		
Nonresidential contracts only				
Pittsburgh[1]	124.8	− 7		
Beaver County	2.1	+ 163		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

unemployment rate, unadjusted, ranks as the highest among the State's 15 metro areas. The situation is somewhat better in the Pittsburgh region, however. Still, while the year-over-year showing during the first three months of this year was impressive as represented by a gain of nearly 30,000 in the number of residents counted as employed and a 0.8 percentage point drop in the unemployment rate, sluggish labor force and employment growth over the past several years tempers at least a portion of the optimism.

In sum, it is quite apparent that there has been recent improvement throughout much of the region. As with the State as a whole, whether or not these trends continue depends a great deal on the economic situation in the U.S. However, if, as expected, the national economy continues performing at a satisfactory pace, the gains realized by these five counties in southwestern Pennsylvania will, at best, help the region regain only a small portion of the ground lost in recent years.

State College

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	56.8	138	137	132
Unemployed, no. of residents	3.4	118	124	112
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	60.2	137	136	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.9	134	131	129
Nonmfg. only, no. of jobs	46.4	137	134	132
Mfg. only, no. of jobs	7.6	118	115	114
Industrial electric power sales	***	125	123	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	12.2	− 15		
Nonresidential contracts only	10.9	+ 31		

[1] Centre County

Nearly all available evidence suggests that economic conditions strengthened further in Centre County during the first quarter of 1988. This continues a string of several impressive performances and leaves the region on solid ground as the typically strong warm-weather months approach. Unless the U.S. economy slows dramatically, the next several months should result in even better news in the State College metro area.

Although several other areas around the State have lower unemployment rates than the region's 5.6 percent unadjusted reading for the first quarter, employment growth has been exceptionally strong. All told, employment expanded by 2,700 between the first quarters of 1987 and 1988, a 5 percent gain, to a record high of 56,800. Furthermore, between the end of the recession in the early 1980s and 1987, employment expanded by 17 percent. These findings compare quite favorably with the gains of 4.4 and 9.4 percent in the State as a whole. Furthermore, over the course of the recovery, the jobless rate has been cut in half while the labor force has grown considerably.

The region's nonfarm industries continue to show solid job gains as growth has been balanced across most industries. There were 1,900 more positions in these establishments during this year's first quarter compared to the same period in 1987, pushing nonagricultural job readings to another record high. Manufacturing contributed 300 of these new jobs as these industries continue to rebound. Although manufacturing accounts for just 13.8 percent of all jobs in Centre

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	117.9	109	108	105
Unemployed, no. of residents	9.3	93	98	103
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	127.2	108	107	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.4	102	101	99
Nonmfg. only, no. of jobs	75.6	115	114	111
Mfg. only, no. of jobs	34.8	82	81	80
Hrs. worked by production workers in mfg., *ave. weekly*	42.9	104	103	101
Industrial electric power sales	***	115	116	101
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.9	+ 23		
Nonresidential contracts only	21.6	+ 88		

[1] Erie County

County compared to 21.2 percent Statewide, they are still very important to the health of the local economy. Hence, further improvement on their part is of vital importance to the ability of the economy to continue posting solid numbers.

Despite these recent gains on the part of manufacturing, the bulk of all new jobs generated in Centre County continue to come from the nonmanufacturing sector which accounted for 1,800 new jobs over the 1987:IQ-1988:IQ period. This increase, to 46,400, left nonmanufacturing job totals at a record high for the sixth straight quarter. Construction is certainly making a contribution as job totals continue to increase. Furthermore, nonresidential construction contract values rose almost one-third from last year's first quarter. The 15 percent decline in residential contract awards is really the only "negative" to be found in the first quarter results.

Northwestern Quarter

Erie

Although economic conditions improved only slightly in the first quarter of 1988 compared to the final three months of 1987, comparisons to a year ago show that a considerable amount of improvement has taken place in Erie County. Whether or not this positive trend will continue is debatable. Month-to-month growth within the first quarter appears to have been minimal. Should this continue, year-over-year growth will decline as we head into the second half of 1988. Still, barring a significant reduction in growth at the national level, the Erie metropolitan area economy should continue to expand at least moderately.

On the positive side, some very good news is found in construction. Nonresidential contract awards were nearly double their year-ago values in the first quarter in Erie County while residential awards were up by more than one-fifth. Additionally, at 2,800, first quarter construction jobs were at their highest level since 1979. This helped push total nonmanufacturing job levels up by 2,300 to a record high of 75,600 after seasonal trends are factored out. Not surprisingly, the services industries continue to provide the bulk of all new jobs. In fact, since the recovery began around 1982/1983, these industries have accounted for close to one-half of all new nonmanufacturing jobs.

Although their share of jobs has been on the decline, from 38 percent in 1978 to 31 percent in 1987, the region's manufacturers remain of special importance to Erie County, even more so than in the State as a whole where manufacturing accounts for slightly more than one-fifth of all nonfarm jobs. Hence, it is critically important that these industries rebound from a rather prolonged slump as reflected by a sharp fall-off in job totals. Indeed, it appears that the bottom has been reached in terms of job levels. Compared to year-ago readings, first quarter's 34,800 factory-related positions represent a gain of 800. Furthermore, after adjusting for seasonality, slight increases have occurred in each of the past four quarters. This improvement, even though it is relatively modest, is reflected in electricity sales to industry which currently stand just below all-time highs. Similarly, the average factory workweek stands at a record high which should prevent any appreciable decline in jobs over the near-term.

As a result of the improvement on both the manufacturing and nonmanufacturing fronts, total nonagricultural job levels advanced again in the first quarter, but while the State as a whole is operating with a record number of workers in these establishments, Erie County readings still remain below pre-recessionary totals. Since the recovery began, total nonfarm job gains in Erie County have been just over one-half of the gains averaged throughout the State.

However, within the past several months, pre-recessionary levels of resident employment have been reached so that in the first quarter of this year, the 117,900 residents counted as employed represent a new record after normal seasonal ups and downs are discounted. Still, although the year-over-year gain of 4,800 in employment was strong enough to absorb a net inflow into the labor force totaling 3,800 and reduce the number counted as jobless by 1,000, long-run trends, especially in terms of labor force and employment growth, remain worrisome. Nonetheless, the seasonally adjusted 6.6 percent unemployment rate in the first quarter represents the lowest reading since 1978.

Sharon

Without a doubt, short-run trends over the past several months in the Mercer County economy have been relatively healthy. Despite this recent improvement, however, considerable slack remains. In fact, it is fairly safe to say that the region is still struggling to regain all of the ground lost in the early 1980s.

For instance, although 3,500 more residents were counted as employed in the first quarter of this year relative to a year ago, leaving employment at 46,100, this still remains well below pre-recessionary readings. Statewide, resident employment stands very near record highs. Furthermore, first quarter's gain translates into a surprisingly large 8.2 percent increase, nearly double the growth Statewide. However, between the beginning of the recovery around 1982/1983 and 1987, employment grew by a minimal 0.7 percent in the Sharon metro region compared to a 9.4 percent gain in Pennsylvania as a whole. In that employment has remained essentially flat over the long-run, the fact that the jobless rate has been reduced from over 20 percent at the height of the recession to 6.2 percent, unadjusted, in the first quarter is largely

Sharon Area[1]

	Ave. mo. value *1 Q.'88*	Average monthly index seas. adj. (1977 = 100) *1 Q.'88*	*4 Q.'87*	*1 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	46.1	99	98	92
Unemployed, no. of residents	3.1	63	75	90
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	49.1	96	96	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.2	93	91	88
Nonmfg. only, no. of jobs	31.1	110	108	106
Mfg. only, no. of jobs	10.2	64	61	57
Industrial electric power sales	***	119	104	96
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.1	+62		
Nonresidential contracts only	0.9	−40		

[1] Mercer County

due to a net outflow from the labor force which is not a healthy sign. Nonetheless, the 2.6 point drop between the first quarters of 1987 and 1988 is encouraging in light of the employment gains realized over that shorter period.

While the majority of all new jobs continue to be generated in the nonmanufacturing sector, Mercer County's manufacturers are starting to add workers after a prolonged slump. In fact, the 1,200 workers added to factory payrolls during the 1987:IQ-1988:IQ period pushed job levels to 10,200, the highest reading in three years after seasonal trends are discounted. Still, this leaves job levels at about two-thirds of their late 1970s readings. A similar gain of 1,200 jobs was realized in Sharon area nonmanufacturing establishments during the year ending with the first quarter. Job levels in these industries have remained above the 31,000-mark for the past six months on a seasonally adjusted basis in establishing a new record. Construction appears to be holding its own as job levels and residential contract awards turned in year-over-year gains. The decline in nonresidential contract values is probably not especially significant in that this category is subject to wide swings.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The economy of the four-county Harrisburg-Lebanon-Carlisle metropolitan area continued to post solid results in this year's first quarter. At a seasonally adjusted 3.9 percent, the area's jobless rate for the first quarter was the second lowest in the State, trailing only Lancaster's reading. Similar to the situation elsewhere in the State, this represents dramatic improvement compared to the situation at the height of the recessions of the early 1980s. In fact, the rate is down by more than one-half compared to recession highs. However, whereas elsewhere in the Commonwealth the long-term improvement in joblessness is somewhat suspect in light of sluggish growth on the employment and labor force fronts, the decline in the Harrisburg region's jobless rate is truly reflective of the economy's gains. In the quarter just ended, employment rose by 13,900 from year ago readings to 299,200, a new record after seasonal trends are factored out. This gain wasn't quite strong enough to absorb a net inflow into the labor force of 14,500, resulting in a slight gain in the number of unemployed. As a result, the jobless rate remained unchanged from a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	299.2	122	121	116
Unemployed, no. of residents	14.1	81	86	77
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	313.3	120	119	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	294.5	121	121	117
Nonmfg. only, no. of jobs	242.2	128	127	124
Mfg. only, no. of jobs	52.4	97	97	93
Hrs. worked by production workers in mfg., ave. weekly	39.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	97	94	76
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	49.2	+26		
Nonresidential contracts only	32.7	−82		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

The region's superior performance is clearly evident in examining long-term trends relative to the State's. The Harrisburg area's growth in the labor force since the recovery began has been more than three times as large as Pennsylvania's while the growth in employment, through 1987, was five percentage points greater (14 vs. 9 percent).

Not surprisingly, the vast majority of new jobs have come in the nonmanufacturing sector, especially in the service-producing industries. Since the recovery began, 35,200 jobs were generated in the region's nonmanufacturing establishments through 1987. More than 31,000 of those jobs came in the service-producing sector. In absolute terms, the big gainers were the service and trade industries, each with 12,400 new positions. Much the same is true over the short-term. Between the first quarters of 1987 and 1988, nonmanufacturing jobs rose by 8,500 to a record high of 242,200 when seasonal trends are discounted. More than 90 percent of those new jobs came in the service-producing industries.

While nonmanufacturing has turned in a solid showing with respect to job gains over the long-run, the Harrisburg area's manufacturers have held payroll jobs on a relatively steady path. Still, this is a much stronger performance than in the State as a whole where factory jobs have been on a definite downward trajectory. The news has brightened somewhat as of late. During the year ending with the first quarter, 1,800 new manufacturing jobs were created, leaving job totals at 52,400. After adjusting for seasonality, job levels are currently at their second-highest reading since the end of 1984 after falling slightly from last year's final quarter. Durable goods industries accounted for the bulk of the jobs generated over the course of the past year. Recent gains in electricity sales to industry provide further evidence of manufacturing's gains.

Lancaster

First quarter trends in Lancaster County suggest that the economy continues to expand at a healthy pace in the region. In fact, it may be safely said that the local economy, especially relative to the State as a whole, is booming as good news is being turned in on just about all fronts. This is evident in the region's 3.8 percent jobless rate, the lowest among the Commonwealth's 15 metropolitan areas. The number of residents counted as unemployed has been cut in half since peaking around the beginning of 1983. In fact, the 8,000 residents of Lancaster County without a job during the first three months of the year represent the second lowest total in more than a decade after factoring out normal seasonal ups and downs.

What is especially encouraging is the fact that the steady decline in joblessness over the past five years has occurred alongside a rapidly expanding labor force. In light of this, relatively large increases in employment have been required in order to reduce unemployment. Over the course of the recovery, resident employment in the region has advanced

Lancaster Area[1]

	Ave. mo. value 1 Q.'88	Average monthly index seas. adj. (1977 = 100) 1 Q.'88	4 Q.'87	1 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	203.6	134	132	127
Unemployed, no. of residents	8.0	90	104	85
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	211.6	131	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.7	130	128	125
Nonmfg. only, no. of jobs	120.6	146	144	138
Mfg. only, no. of jobs	59.3	106	105	106
Hrs. worked by production workers in mfg., ave. *weekly*	40.2	102	102	102
Industrial electric power sales	***	138	139	129
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	52.3	+26		
Nonresidential contracts only	26.9	+54		

[1]Lancaster County

at a pace nearly double the Statewide gain. Between the first quarters of 1987 and 1988, 10,700 additional residents were counted as employed, leaving the number of jobholders in the region at 203,600. Although there has been minimal monthly downturns, employment has been on a definite upward track since the end of the recession and has remained at a record high since late 1983.

Similar to the situation elsewhere in the State, nonmanufacturing establishments have provided the majority of all new jobs. However, manufacturing has, at the least, certainly held its own. While the rest of Pennsylvania witnessed a short-lived upturn in factory job levels, lasting until mid-1984, prior to a rather lengthy 30-month decline, Lancaster area manufacturers maintained relatively steady payrolls over the 1984-1987 period and have recently begun to add workers. Furthermore, the Lancaster region is one of only three metropolitan areas in the State currently maintaining factory job levels above 1977 readings. All told, there were 59,300 manufacturing positions maintained in Lancaster County establishments, a level unchanged from a year ago but up from 1987:IVQ readings after discounting for seasonality. Job levels fall just short of all-time highs set in the late 1970s. Trends in electricity sales to industry also suggest that manufacturing activity is on the rise in the region. Although there was a very slight drop from fourth quarter readings, the long-run trend remains positive.

While manufacturing has essentially "broke even" over the long-run, the region's nonmanufacturers have generated a significant number of new jobs. During the year ended with the first quarter, 6,600 more nonmanufacturing positions were added in Lancaster County. Several different industries contributed to this gain: services (with 2,500 new jobs), trade (1,800), government (900), and finance (400). As a result, the number of positions on nonmanufacturing payrolls rose to 120,600. This represents another record high after seasonal adjustment. The construction industry also made a contribution to this job gain as 1,000 more jobs were maintained in the first quarter relative to a year ago. This, along with solid growth in both residential and nonresidential contract values, suggests that building activity remains healthy.

Philadelphia

The short-term outlook for the eight-county Philadelphia metropolitan area appears to be favorable, although a questionable national economy prevents such an optimistic outlook beyond 1988. Certainly, the State's largest regional economy has turned in a rather impressive performance over the course of the current recovery relative to the Commonwealth as a whole.

While the advantage may have lessened, it can still be argued that the region continues to outperform the State as a whole. For instance, between the first quarters of 1987 and 1988, nonagricultural job levels grew 3.2 percent in the region compared to 2.8 percent Statewide. Despite periods of sluggishness in the area's factories, gains in the nonmanufacturing sector have been enough to allow total nonfarm job levels to expand almost nonstop since the early 1960s, except for a few "leveling off" periods during national recessions.

The service-producing industries have led the way over the past several years. Of the new nonagricultural jobs generated over the recovery period, 95 percent have come in these industries. As a result, nonmanufacturing job rolls have been increasing at a very respectable pace. In fact, between the beginning of the recovery and 1987, job levels in these industries increased 16.7 percent compared to a 13.3 percent gain throughout Pennsylvania. Short-run trends show that further improvement has taken place. Between the first quarters of 1987 and 1988, nonmanufacturing job totals increased by 64,300, a 3.7 percent gain. The end result was a nonmanufacturing job total of 1.79 million, a record high after seasonal adjustment. Over that one-year time frame, the big gainers in absolute terms were the services and trade industries with job gains totaling 29,700 and 16,700, respectively.

According to the value of contracts awarded, construction activity may be on the decline. Specifically, residential contract awards in this year's first quarter were down 16 percent from year ago readings. On the nonresidential side, a decline of nearly one-third was turned in. However, these measures of building activity are subject to wide swings. Perhaps a better indication of trends is the behavior of con-

Philadelphia Area[1]

	Ave. mo value 1 Q.'88	Average monthly index seas. adj. (1977 = 100) 1 Q.'88	4 Q.'87	1 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	2,298.3	124	123	119
Unemployed, no. of residents	106.6	59	60	60
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	2,404.8	118	118	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,164.5	120	119	116
Nonmfg. only, no. of jobs	1,789.6	131	130	126
Mfg. only, no. of jobs	375.0	84	84	84
Hrs. worked by production workers in mfg., ave. *weekly*	40.2	102	102	103
Industrial electric power sales	***	111	111	102
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	457.0	−16		
Nonresidential contracts only	283.9	−32		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

struction jobs which increased by 9,600 over the 1987: IQ-1988:IQ period.

The news is not nearly as good on the manufacturing side, although job levels appear to have bottomed out and may have just begun to drift upward ever so slightly. While factory job levels are essentially unchanged from fourth quarter readings, they are up by 3,300 from the first quarter of 1987. Still, the 375,000 manufacturing jobs maintained in the region during this year's first quarter are just barely above record-low readings. The 40.2 hour average factory workweek is quite high in historical terms and may help prop up job levels over the short-term. Furthermore, despite a sluggish showing on the jobs front, industrial power sales stand very near all-time highs, suggesting that production has at least held its own.

Not surprisingly, the good news on most fronts has translated into solid improvement with respect to employment and unemployment. Resident employment has been at a record high since late 1983. First quarter trends found employment increasing by 88,500 from year-ago readings to settle at 2.3 million. This gain was just strong enough to absorb a net inflow into the labor force totaling 86,200, resulting in a slight decrease in joblessness. All told, the unemployment rate fell from an unadjusted 4.7 percent in the first quarter of 1987 to 4.4 percent in the most recent period.

Reading

Economic trends in Berks County suggest that the region turned in a solid showing during the first three months of 1988. While most new jobs continue to be generated in the nonmanufacturing sector, the region's factories have recently started adding new workers. Compared to a year ago, factory job levels in this year's first quarter grew by 900 to 48,900. While this is a fairly small gain, it is certainly welcome in light of recent losses. On a seasonally adjusted basis, first quarter job totals were at their highest levels since the final quarter of 1985. Still, the number of workers on factory payrolls remains just barely above record-low readings maintained as the recession of the early 1980s came to an end. Despite the relatively low workforce, industrial power sales currently stand at record-high levels, suggesting that production has probably more than held its own.

While manufacturing has only recently showed signs of a rebound, the region's nonmanufacturers have been adding workers on a continuous basis since 1983 after holding job levels steady over the course of the two recessions of the early 1980s. All told, there were 100,500 jobs in Berks County nonmanufacturing establishments in the first quarter of 1988, a gain a 3,900 over year-ago readings. After adjusting for seasonality, this represents a new record. In fact, the region's nonmanufacturers have maintained record-high workforces since late 1983.

As elsewhere in the Commonwealth, much of the gain in nonmanufacturing job levels has occurred in service-producing establishments. However, the construction industry has also played a role in recent job gains. Between the first quarters of 1987 and 1988, 600 new construction jobs were added to payrolls. Combined with impressive gains in the value of construction contracts awarded, this suggests that building activity is running at a healthy pace in the region.

All of this good news is reflected in continued improvement on the employment/unemployment front. The number of residents counted as employed has been on an upward path since the end of the recession with slight month-to-month volatility. Employment totaled 163,500 in the first quarter, up 7,700 from a year ago. Trends stretching back to the beginning of the recovery find employment growing at a pace strong enough to absorb healthy gains in the labor force and, at the same time, reduce unemployment. In fact, the seasonally adjusted 4.6 percent jobless rate for the first quarter is less than one-half of its recessionary high and is the lowest reading since 1974.

York

There appears to be little to be concerned about with respect to the economy in Adams and York Counties according to first quarter results. In a nutshell, the York metropolitan area economy appears to be operating on all cylinders as the news was encouraging on just about all fronts.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	163.5	123	122	117
Unemployed, no. of residents	8.5	92	99	98
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	172.0	121	120	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	149.6	115	113	111
Nonmfg. only, no. of jobs	100.5	127	125	122
Mfg. only, no. of jobs	48.9	96	95	94
Hrs. worked by production workers in mfg., ave. *weekly*	40.9	104	106	105
Industrial electric power sales	***	140	139	130
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	31.8	+60		
Nonresidential contracts only	5.9	+51		

[1] Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '88	*1 Q '88*	*4 Q '87*	*1 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	202.2	134	132	127
Unemployed, no. of residents	10.1	92	100	92
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	212.3	131	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	172.4	123	121	118
Nonmfg. only, no. of jobs	112.1	138	137	133
Mfg. only, no. of jobs	60.3	102	100	97
Hrs. worked by production workers in mfg., ave. *weekly*	42.6	104	104	103
Industrial electric power sales	***	120	119	113
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.7	+42		
Nonresidential contracts only	16.5	−14		

[1] Adams and York Counties

The seasonally adjusted 4.3 percent jobless rate recorded by the region during the first three months of this year is tied for the third lowest reading among the Commonwealth's 15 metropolitan areas. Compared to a year ago, the jobless rate was down 0.2 percentage point. Over that period, employment grew by 11,200 residents which was identical to the net inflow into the labor force. However, over the long-run, substantial gains in employment have been strong enough to absorb labor force gains as well as reduce the number of unemployed. For instance, between the end of the recession, around 1982/1983, and 1987, employment in the York metro area expanded by 22,500, a gain strong enough to absorb an increase of 11,700 in the labor force and reduce the number of unemployed by 10,800. Employment has remained at a record-high after seasonal adjustment since mid-1984, including a reading of 202,200 in this year's first quarter.

Perhaps the best news, however, over the past several months revolves around trends in the factory sector. After essentially holding steady for the previous two years, a period in which job levels were falling throughout the State, manufacturers began adding workers in the region around the middle of 1987. The 60,300 positions maintained in these establishments during the first three months of this year translate into a gain of 2,800 over a year ago. Furthermore, after adjusting for seasonality, job levels have increased in each of the past three quarters. Recent gains have been spread across both durable and nondurable goods industries. Compared to the first quarter of 1987, durable goods payrolls rose by 1,900 workers while on the nondurables side, a gain of 1,000 jobs was recorded.

Other indicators of manufacturing's health were also encouraging in the first quarter. For instance, industrial power sales were at all-time highs which suggests that production activity was brisk. Furthermore, a relatively high average factory workweek may help prop up job levels over the near-term.

Still, the bulk of all new jobs continue to be generated in the region's nonmanufacturing establishments. All told, there were 112,100 positions in these industries during the first quarter for a gain of 4,700 from a year earlier. Jobs in these establishments have increased almost non-stop since the economy emerged from the back-to-back recessions of the early 1980s and have turned in record-high readings practically ever since. Not surprisingly, construction has played a major role. The 9,700 positions in these industries in the first quarter represent a record-high and a gain of 1,100 from a year ago. On the contracts front, a solid year-to-year gain of 42 percent was turned in on the residential side. At the same time, there was a 14 percent decline on the nonresidential side. In that it represents only the third such decline over the past nine quarters, it should certainly not be interpreted as the start of a trend.

— William D. Anderson

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LEADING INDEX SUGGESTS LITTLE LIKELIHOOD OF MAJOR SLOWDOWN

While a few pockets of weakness remain, **most indicators suggest that Pennsylvania's economy continued to expand in April.** Furthermore, **recent behavior in the State's leading economic index combined with additional evidence of a stronger-than-expected U.S. economy gives rise to expectations of further encouraging results in the near future.** The leading index, which is made up of the average factory workweek, initial claims for unemployment insurance, and the value of residential construction contract awards, reversed two consecutive monthly declines with a solid 1.1 percent gain in April. This marks the ninth time in the last 12 months that the index has advanced or held steady. Although the index is not designed in such a way as to quantify expectations of future growth, such a trend does suggest that there is little likelihood of a significant retrenchment in economic activity over the short-term in the Commonwealth.

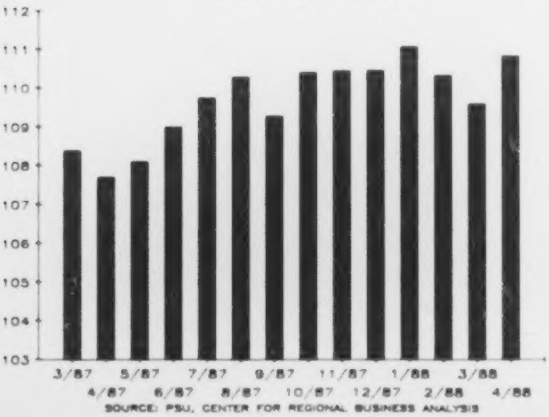
Last month's Survey highlighted the surprising strength being shown on the part of the nation's consumers. **Another important factor contributing to the U.S. economy's recent spurt of "good" numbers has been a solid showing on the export-front which translates into good news for the nation's, and Pennsylvania's, manufacturers.** Indeed, at one time or another over the course of the past several months, the factory sector's healthier performance has shown up in such indicators as industrial production, factory orders, capacity utilization, and job levels, to name a few. With respect to Pennsylvania, April's average workweek of 41.2 hours after seasonal adjustment equals a record-high. While a slight decline was recorded in April, electricity sales to industry have remained consistently above year-ago readings for the past several months. April job totals in the State's manufacturing establishments were up 10,000 from year-earlier readings. A solid job-gain shows up even when the primary metals component, which was heavily impacted by the USX strike during the first several months of 1987, is discounted.

The recent improvement in manufacturing's fortunes is being felt in most states. Specifically, March manufacturing job totals were higher than year-ago readings in all but 11 states. If the focus is narrowed to what many refer to as the stereotypical "rust-belt" states of the northeast as identified in the accompanying table, Pennsylvania's performance stands up fairly well. Only Indiana turned in a stronger performance, at least in March. **Still, the year-to-date factory job gain of 1.6 percent registered so far this year in Pennsylvania falls short of the 2.3 percent national advance.**

There was a surprising drop in the number of jobs in Pennsylvania's nonmanufacturing establishments in April, only the second such decline since the begining of 1986. However, the decline, at a seasonally adjusted 2,000, was insiginificant and may be attributable to difficulties in adjusting for seasonality. This is especially true for the retail trade industry where job totals are fairly volatile in March and April depending upon when Easter falls. Before adjustment, job levels rose by 53,000 in April. Clearly, **there is little cause for worry when it comes to Pennsylvania's nonmanufacturing industries, at least with respect to job generation.**

Despite the overall drop in nonmanufacturing jobs for the month, service establishments continued to add workers. As shown in the accompanying table, job gains in these establishments have been fairly broad-based across industry lines so far in 1988. The largest industries, especially in the health and business services fields, have accounted for the bulk of all new jobs. Because of its relatively large size, health services has accounted for more than one-quarter of all new jobs generated between the first four months of 1987 and 1988. However, this industry accounts for about one-third of all service jobs based on 1987 calculations. Hence, this industry

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

March 1987-March 1988 manufacturing job growth in eight northeastern industrialized states

	Absolute change (thous.)	Percentage change
Illinois	11.8	1.3
Indiana	18.5	3.1
Massachusetts	– 16.1	– 2.7
Michigan	– 57.2	– 5.8
New Jersey	– 13.0	– 1.9
New York	– 5.7	– 0.5
Ohio	2.0	0.2
Pennsylvania	14.1	1.4

Source: U.S. Dept. of Labor, Bur. of Labor Statistics

has not realized its "fair share" of job gains so far this year. On the other hand, business services, which accounts for about 17 percent of all service jobs in the Commonwealth, has contributed a larger-than-expected 29 percent of all new jobs this year. Another big gainer so far this year after taking into account its relative size is the "hotels and other lodging" industry. While it accounts for just over 4 percent of all service jobs, its share of new jobs has been more than twice that so far this year.

Despite the overall drop in nonagricultural jobs resulting from the weak showing in both the manufacturing and nonmanufacturing sectors, **some improvement was shown in terms of resident employment during April.** Again, this illustrates that, depending on the data used in the analysis, one may arrive at any one of several different conclusions regarding the health of Pennsylvania's economy. Specifically,

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	March	*April*	*April*	*March*	*April*	*April*	*March*	*April*	*April*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,950*	5,006	4,893	5,005	5,002	4,890	109.6	109.6	107.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,903*	3,956	3,854	3,955	3,953	3,852	122.7*	122.6	119.5
Mining	30	30	31	30	30	31	63.3	61.7	63.9
Contract construction	208*	225	210	231*	233	218	125.7*	126.6	118.5
Transportation	141	141	142	142	139	141	88.2	86.6	87.7
Public Utilities	105	104	103	106	105	104	104.8*	104.2	103.5
Wholesale trade	266	268	261	269	269	262	121.2*	121.2	118.2
Retail trade	850*	862	848	872	869	855	121.5*	121.2	119.3
Finance, insurance & real estate	293	295	290	295	295	291	135.8	135.8	133.9
Service & miscellaneous	1,308*	1,329	1,271	1,318*	1,321	1,264	152.8*	153.2	146.5
Federal government	144*	143	141	144	142	141	112.2*	111.0	109.8
State & local government	561	561	556	550	549	544	94.4	94.3	93.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,045	1,048	1,038	1,051	1,049	1,039	78.3	78.2	77.4
Durable goods	596	600	589	599*	600	589	74.0*	74.1	72.7
Nondurable goods	449	448	449	452	450	451	84.9	84.6	84.7
Ave. wkly. hrs. worked by prod. workers	40.8	40.9	40.2	40.9	41.2	40.5	103.4	104.2	102.5
Total wkly. person-hours worked (mils.)	29.1	29.3	28.3	29.3	29.6	28.6	76.4	77.1	74.4
Total wkly. payroll (mil. dols.)	295.4*	299.0	280.8	297.8*	301.4	283.0	132.6*	134.1	125.9
Average hourly earnings (dollars)	10.14	10.20	9.92	10.16	10.19	9.91	173.7*	174.2	169.4
Average weekly earnings (dollars)	413.71	417.18	398.78	414.54	420.54	401.80	179.2*	181.8	173.7
Steel production (thous. tons)	1,169*	1,149	1,035	n.a.	n.a.	n.a.	45.4*	43.6	39.3
Industrial electric power sales (mil. kwh)	3,832	3,705	3,453	3,813	3,780	3,479	103.2	102.4	94.2
Mining									
Anthracite coal (thous. net tons)	355	333	339	375	378	373	76.8	77.4	76.4
Bituminous coal (thous. net tons)	5,802	5,808	5,758	5,402	5,599	5,457	76.6	79.4	77.4
Construction contracts awarded (mil. dols.)									
Total	890.8	957.5	700.5*	769.4	858.6	620.9*	239.2	266.9	193.0*
Residential building	428.1	437.9	317.9*	379.6	381.3	265.2*	269.7	270.9	188.4*
Nonresidential building	217.5	258.7	212.3*	192.0	293.4	221.8*	177.0	270.4	204.5*
Nonbuilding (utilities and public works)	245.2	260.9	170.3*	197.8	183.9	133.9*	273.0	253.7	184.8*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,304	5,396	5,169	5,446	5,476	5,251	113.3	113.9	109.3
Unemployed									
No. of persons (thous.)	314	260	295	296	285	316	73.7	70.9	78.9
Rate (percentage of labor force)	5.6	4.6	5.4						
Rate, seasonally adjusted				5.1	4.8	5.6			
Civilian labor force, no. of persons (thous.)	5,617	5,656	5,464	5,741	5,760	5,567	110.3	110.6	106.9
Initial claims for unemployment benefits	77,033	73,720	92,138	90,624	78,521	96,228	63.3	54.8	67.2

Consumer Prices, all Items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987		
	March	*April*	*April*	*Month Ago*	*Year Ago*
U.S. city average	116.5	117.1	112.7	+ 0.5	+ 3.9
Philadelphia	119.6	120.0	115.5	+ 0.3	+ 3.9
Pittsburgh	n.a.	114.5	110.8	n.a.	+ 3.3

[1] Total includes workers on strike * = figure revised = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Share of new service jobs by industry with 1987 job shares (percent)

	1987 service job share	Share of new jobs generated between 1987 and 1988 (Jan.-Apr. average)
Hotels & other lodging	4.2	9.2
Business services	17.1	28.7
Amusement & recreation	3.1	0.7
Health services	32.7	25.7
Legal services	2.8	4.3
Education	11.3	9.3
Social services	6.5	3.8

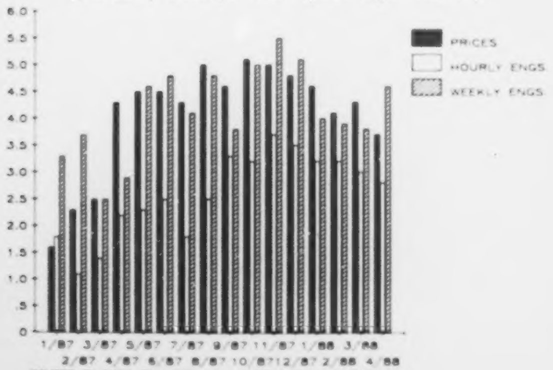
Source: PA Dept. of Labor and Industry, Res. and Stats. Div.

resident employment rose by about 30,000 after seasonal adjustment in April according to Center for Regional Business Analysis estimates. The U.S. Bureau of Labor Statistics estimates the gain to be around 40,000. This represents the first such gain since January and is certainly welcome news. As a result, the State's jobless rate dipped to 4.8 percent, the first time it has been that low since the first few months of 1974. **However, the first bit of news on the state of the economy for the month of May shows a fair amount of deterioration in these widely-watched indicators.**

Inflationary fears have surfaced over the past few months at the national level in light of a string of good news on the economic front. Some argue that there is little room for further expansion without rekindling price pressures. Should these bottlenecks develop, some foresee the end of the current recovery which began in late 1982. These same concerns also account for the uptick in "Fed-watching" as analysts are scrambling to decipher how the nation's monetary policy makers react to inflationary fears.

Beyond its macroeconomic consequences, inflation also has the potential to have a significant impact at the microeconomic level through, for instance, its effect on real earnings. As shown in the accompanying chart, which updates and expands upon an issue eluded to in the April issue of the *PBS*, **price gains in Pennsylvania, in general, have outpaced earnings gains in the manufacturing sector throughout much of the first five months of 1988.** Furthermore, going back to the begining of 1987, price increases in the Commonwealth, as measured by a weighted average of the Pittsburgh and Philadelphia consumer price indexes, have fallen short of average hourly earnings in only one month, implying an erosion in real hourly earnings. The situation is somewhat better when weekly earnings are examined. In fact, over the 16 months stretching back to January 1987, the increase in weekly earnings has outpaced price advances in seven months. As a result of this trend, some may hypothesize that Pennsylvanians are working longer hours in an effort to maintain their buying power and standard of living. Any rise in inflation would certainly make it more difficult for Pennsylvania's factory workers to "hold their own" in this respect.

CHANGES IN PA PRICES AND EARNINGS
(percent change from year-ago month)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

— *William D. Anderson*

Personal Income Report

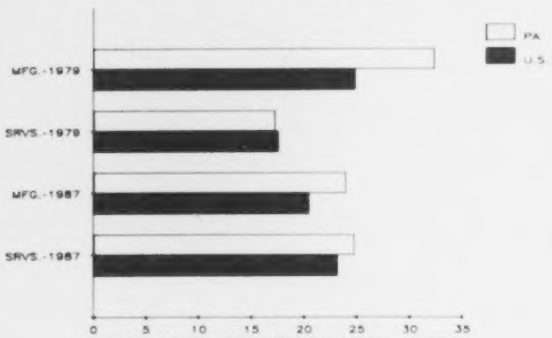
The overriding theme running through the past several issues of the *PBS* has been that the Commonwealth, despite several lingering problems, has performed more in line with the nation in terms of overall economic growth recently after trailing for an extended period of time. Information on 1987 personal income trends provides additional evidence to back up such a contention. For instance, the 5.7 percent increase in total personal income over 1986 levels, which left this measure of economic health at $179 billion, was nearly identical to the 5.8 percent gain registered in the U.S. as a whole. The last time that Pennsylvania turned in such a relatively strong performance was in 1975 when there was a similar 0.1 percentage point difference in growth rates. The most recent year in which personal income growth in Pennsylvania surpassed national averages was in 1974.

Furthermore, a slightly different measure of income, earnings by place of work, actually rose faster in Pennsylvania than in the U.S. in 1987, 6.6 versus 6.3 percent. Specifically, in seven of the ten broad nonfarm industry groupings, Pennsylvania earnings growth surpassed national readings. The only shortfalls occurred in the manufacturing, finance, and services categories.

Much has been made lately of the growing importance of services in the Pennsylvania economy, and, for that matter, the U.S. economy. This past year represented somewhat of a milestone in that the total amount of earnings generated in the services industries in Pennsylvania surpassed manufacturing-based earnings for the first time. Still, Pennsylvania remains heavily oriented towards manufacturing, especially relative to the nation as a whole. As shown in the accompanying chart, even though manufacturing earnings as a share of total earnings has dipped from 32.4 percent in 1979 to 24 percent in 1987, its share is still about 3.5 percentage points greater than in the U.S. So, while the services industry has certainly gained in relative importance, it is probably misleading to talk of the "deindustrialization" of the economy.

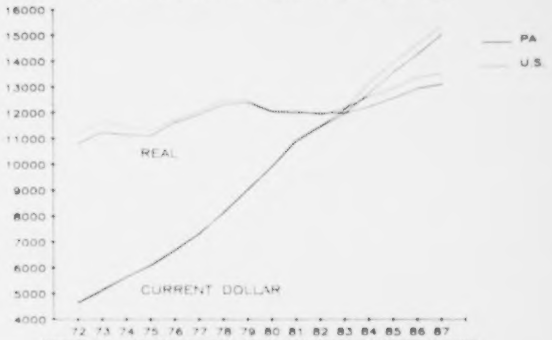
In examining the situation on a per capita or per person basis, personal income in Pennsylvania expanded again in 1987. All told, PCPI totaled $14,997 in the Commonwealth last year for a 5.3 percent annual gain. This follows a 5.1 percent advance in 1986. For the U.S., PCPI totaled $15,340,

PA AND U.S. SHARE OF EARNINGS ACCOUNTED FOR BY MANUFACTURING AND SERVICES, 1979 AND 1980
(percent; by place of work)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

PA AND U.S. REAL AND CURRENT DOLLAR PER CAPITA PERSONAL INCOME
(real income in 1982-1984 dollars)



SOURCE: U.S. DEPT. OF COMMERCE, CENTER FOR REGIONAL BUSINESS ANALYSIS

a 4.8 percent gain from a year earlier. This comes on the heels of a 5.2 percent 1986 gain.

Clearly, personal income trends were quite positive in Pennsylvania during 1987 in both absolute and relative terms. However, as eluded to earlier, one should certainly not declare the Pennsylvania economy problem-free based upon some short-term improvement as an examination of longer-term trends highlights some stubborn problems. Paramount among these problems is the tendency of the U.S. as a whole to outperform the State. Despite the encouraging showing last year, the accompanying chart shows that a sizable gap in per capita personal income has arisen over the course of the 1980s between the U.S. and Pennsylvania after several years of nearly identical showings. This gap exists whether measured on a real (inflation-adjusted) or current dollar basis.

As of 1986, Pennsylvania PCPI amounted to 97 percent

1987 personal income by major source, Pennsylvania and the United States
(millions of dollars)

	Pennsylvania		U.S.
	1987	Pct. chg. from 1986	Pct. chg. from 1986
Earnings by place of work	125,972	6.6	6.3
By type			
Wage and salary disbursements	100,882	6.4	6.0
Other income	10,516	4.9	4.5
Proprietors income	14,574	9.7	9.9
By industry			
Farm	1,090	3.3	5.4
Nonfarm	124,882	6.6	6.4
Private	108,572	6.5	6.3
Ag. serv., for., fish., and other	434	4.1	2.9
Mining	1,732	2.7	0.2
Construction	8,172	11.4	5.5
Manufacturing	30,259	2.7	3.0
Nondurable goods	11,522	3.3	4.6
Durable goods	18,737	2.4	2.1
Transportation and public utilities	8,644	5.4	5.2
Wholesale trade	7,533	5.5	4.9
Retail trade	12,151	5.9	5.8
Finance, insurance, and real estate	8,370	13.0	13.4
Services	31,278	8.6	8.7
Government	16,310	7.3	6.6
Federal, civilian	3,852	3.6	3.4
Federal, military	737	17.0	4.2
State and local	11,721	7.9	8.0
Total personal income	178,995	5.7	5.8
Nonfarm personal income	177,905	5.7	5.8
Net earnings[1]	117,719	6.6	6.3
Dividends, interest and rent	29,800	3.7	4.6
Transfer payments	31,477	4.0	4.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis,
Regional Economic Information System, April 1988.

[1] Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

1986 total and per capita personal income, Pennsylvania metropolitan areas

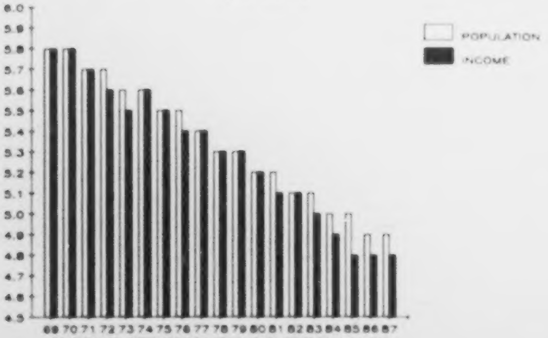
	Total personal income (millions of dollars)		Per capita income (dollars)	
	1986	Pct. chg. from 1985	1986	Pct. of natl. ave 1986
Allentown-Bethlehem	9,812	4.8	14,939	102
Altoona	1,514	5.2	11,429	78
Beaver County	2,211	−2.1	11,443	78
Erie	3,497	4.1	12,524	86
Harrisburg-Lebanon-Carlisle	8,034	6.6	13,916	95
Johnstown	2,789	3.7	10,972	75
Lancaster	5,777	7.8	14,680	100
Philadelphia	77,983	6.6	16,160	110
Pittsburgh	30,998	4.4	14,602	100
Reading	5,036	5.1	15,689	107
Scranton-Wilkes-Barre	9,244	5.7	12,734	87
Sharon	1,443	2.4	11,680	80
State College	1,362	7.8	11,889	81
Williamsport	1,424	6.1	12,237	84
York	5,901	5.9	14,836	101

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1988.

of the U.S. average. Following 1987's strong showing, that share did rise, but only to 98 percent. Throughout the late-1970s, per capita readings of personal income in Pennsylvania were equal to or slightly above national averages, so it does appear that some ground has been lost. Furthermore, while the Commonwealth's 1987 per capita personal income ranked 20th among all 50 states, the majority of our neighbors rank higher. For instance, each of the other four states making up the Mideast region, New Jersey (with a rank of 2), New York (4th), Maryland (6th), and Delaware (11th), rank higher than Pennsylvania. If the scope of analysis is expanded even further, to, say, the New England, Mideast, and Great Lakes regions, one finds that only five of the 16 states in these three areas rank lower than Pennsylvania.

Why has Pennsylvania lost ground relative to the nation? As shown in the accompanying chart, the State's share of the U.S.' population and personal income, the two "variables" which combine to make up per capita personal income (PCPI is equal to total personal income divided by population), has been on the decline for several years. However, in that these two moved pretty much hand-in-hand until the early 1980s, the State's per capita personal income stayed very close to national averages. About a half-decade ago, however, the share of total personal income accounted for by Pennsylvania began to drop even faster than the population-share. As a result, the Commonwealth's PCPI did not grow as fast as in the U.S.

PENNSYLVANIA'S SHARE OF U.S. POPULATION AND PERSONAL INCOME
(percent)



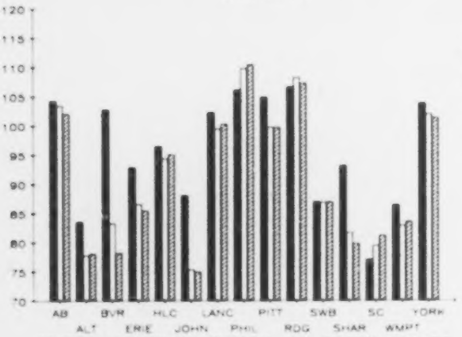
SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

The annual estimates of metroplitan area personal income have also been updated and revised through 1986 (they lag national estimates by one year). Trends across Pennsylvania show a good deal of variation as annual growth rates in total personal income ranged anywhere from 7.8 percent in State College and Lancaster to a 2.1 percent decline in Beaver County during 1986. While seven of the State's 15 regions realized a larger growth rate than the Commonwealth's 5.4 percent advance, only four managed to outperform the nation's 6.3 percent gain.

Recent metropolitan area personal income trends highlight the differing growth patterns across the western and eastern halves of Pennsylvania. The highest levels of per capita personal income are found in the eastern portion of the Commonwealth. Specifically, six of the top seven levels of PCPI are found in eastern Pennslvania. From the outside, only Pittsburgh managed to crack this group. Not surprisingly, Philadelphia led the way with a PCPI of $16,160 in 1986, a full 10 percent above the national average. Reading was next with $15,689. The top three was rounded out by the Allentown-Bethlehem region with a per capita personal income level of just over $14,900. The bottom three consist of western Pennsylvania's Johnstown, Altoona, and Beaver County metro areas, all with readings which are less than 80 percent of the U.S. average.

While 14 of the 15 metro areas realized personal income gains in 1986 on both a total and per capita basis, only cautious optimism is warranted as a result of an examination of longer-term trends. For instance, only Philadelphia, Reading, and State College accounted for a larger portion of U.S. per capita personal income readings in 1986 compared to 1979. In each of the other cases, while absolute

SHARE OF U.S. PER CAPITA PERSONAL INCOME BY PA METROPOLITAN AREA
(percent)

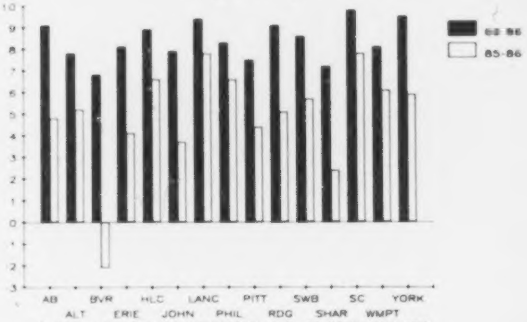


SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

growth has occured, it has simply not matched up well with national trends (see chart).

Similarly, none of Pennsylvania's metro regions managed to reach historical averages in terms of personal income growth during 1986. Specifically, if growth rates for that year are compared with 1969-1986 averages, none of the regions managed to perform up to par.

1985-1986 AND 1969-1986 AVERAGE ANNUAL GROWTH IN PERSONAL INCOME BY PA METROPOLITAN AREA
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

In sum, one has to be encouraged by the recently-released indicators of personal income. Some definite short-run improvement has taken place. However, when measured against national and historical patterns, it is also apparent that considerable room remains for improvement.

— *William D. Anderson*

THE U.S. ECONOMY — WILL HISTORY REPEAT ITSELF. . .?

Those involved in the publication of the Pennsylvania Business Survey *are constantly striving for consistency in reporting on economic conditions and trends as they relate to the Commonwealth. As a result, we often refer to several dominant or overriding themes which we use as a common denominator in our analyses. Several times in the past, we have highlighted the ties between the Pennsylvania and U.S. economies. In order to keep our readers updated on all factors having an impact on Statewide economic conditions, we feel that it is worthwhile to provide a thorough overview of U.S. economic trends on a periodic basis. This article represents our second effort at accomplishing this and follows a review designed for similar purposes contained in the June 1987 issue of the* Survey.

We are pleased that Jack Malehorn, Chief Economist with United Telephone Company of Pennsylvania, has again agreed to provide us with his thoughts concerning U.S. economic conditions. The views expressed by Jack are his own and do not necessarily reflect those of The Pennsylvania State University or United Telephone Company of Pennsylvania.

The revision in first quarter real GNP growth from a 2.3 to 3.9 percent annual rate underscores the fundamental strength in the economy. Following the shock in financial markets last fall, most observers were expecting a downturn by early 1988. Instead, ample evidence of the underlying resiliency in the economy is apparent, illustrated by continued employment growth and increased production.

Paradoxically, the bullish news on the economy has caused an alarmist reaction by skittish financial markets. Financial participants, armed with a clear recollection of the losses associated with holding fixed income securities experienced in the highly inflationary 1970s, have presumed that the economy cannot operate at its present level without bumping up against resource constraints, spurring cost-push pressures.

On the surface, concerns expressed by financial markets appear justified. An examination of the accompanying table illustrates the underlying potential for imminent price pressures when past business patterns are analyzed. Still, many structural changes have occurred over the last several years which may thwart the expected. The changing nature of labor markets, a growing awareness of global markets and the intensely competitive nature of these markets, and the effects of deregulation may ensure continued economic prosperity without the crippling effects of inflation.

The most plausible scenario calls for moderate economic growth throughout the year. While an overt degree of volatility in the financial markets may appear to jeopardize the expansion, market sensitivity may actually help to contain inflation and interest rate pressures and keep the current expansion on track, at least until next year.

LABOR MARKET CONCERNS

April's labor market report indicated that the national unemployment rate fell to 5.4 percent — a 14 year low — and approximately one-half the level realized in late 1982, at the beginning of the current business expansion. Since the start of the new year alone, over one million jobs have been added, leading to concerns about tight labor markets and subsequent wage inflation.

Theoretically, a question concerning the so-called natural

Historical business patterns

Business cycle peaks	Unemployment	Inflation
1973-74	4.8%	13%
1979	5.7%	14%
1988	5.4%	4-5%

rate of unemployment, a level at which unemployment is consistent with steady inflation, has surfaced. Generally, an estimate of the natural rate of unemployment, or full employment, ranges from 5½ to 6 percent. Current supposition suggests that the present unemployment rate constitutes the onset of escalating wage demands. However, this argument does not account for structural changes which have occurred in labor markets over the last several years.

One influential factor concerns the movement of the post-baby-boom generation into the work force. Those individuals from 16 to 24 years of age currently make up roughly 19 percent of the labor force, compared to a low of 15 percent in the mid 1950s and a high of 24 percent as recently as 1979. While the reduction in young workers has created a void in low-pay, low-skilled jobs, the converse would indicate that the current work force consists of more productive, experienced individuals, productivity being the key to minimizing cost pressures.

Another factor concerns the present situation surrounding unemployment insurance benefits and coverage. In 1980, roughly 44 percent of the unemployed qualified for benefits, as compared to 30 percent today. Certainly, the availability of unemployment benefits and extension of coverage have tended to increase workers' competitiveness and concern for job security.

From the employer's perspective, labor costs are an essential element in the overall expense of doing business. Over time, the real minimum wage has actually fallen, since the official minimum wage level was frozen at $3.35 in 1981. In addition, the average rise in labor costs in 1987 was 2.5 percent, which represented the lowest level in the past 40 years. To date, labor costs have been held to a 2.9 percent annual rate, well under the expected rate of inflation. Consequently, wage pressures may not be a pending threat.

Other factors influencing labor costs include: changes in bargaining procedures; a loss of union power (at present, roughly 18 percent of the labor force is unionized, compared to greater than 25 percent in 1980); deregulation; increased productivity in manufacturing; a change in the structural composition of the nation's output and the concurrent skill mix and level of the labor force; as well as a change in management philosophy regarding salary levels as opposed to other forms of personal job satisfaction. Considering these factors, the unemployment rate associated with full employment may be lower than esstimated, suggesting additional room for job expansion without confronting necessary wage inflation.

THE MARKETPLACE

In light of recent healthy job gains, it is not surprising to witness a resurgence in consumer expenditures. Following a relatively flat year for consumer purchases in 1987, coupled with the October market crash, consumer confidence has dramatically rebounded, leaving households with a renewed penchant to spend. However, a surge in personal consumption would be construed as disadvantageous, given the current emphasis on investment and export related activities, triggering concern over physical constraints, i.e. labor and production capacity, in the economy.

The most likely scenario regarding consumer intentions lies somewhere between the polar extremes of runaway spending and retrenchment. The realization of strong employment gains combined with advances in income should translate into real spending gains in the 2 to 4 percent range — a seemingly palatable level — without exerting considerable demand pressure on product markets. At the same time, a spending boom should be averted due to the magnitude of consumer debt tied to variable rate instruments. Upward interest rate pressures as well as the desire to redress balance sheets and boost savings should limit consumer demand-oriented inflationary tendencies.

As anticipated, the construction industry would do well to hold its own this year. All facets of building, i.e. residential, nonresidential and nonbuilding, face both price and financing pressures. The primary focus on both housing and nonresidential construction should be at the local level where disparities exist. Some local housing markets continue to boom and are constrained only by financing and administrative procedures.

As previously anticipated, the real emphasis in the economy is derived from the production-oriented sectors. Investment activity, centered primarily on plant and equipment expenditures, coupled with export-fueled activity, have managed to keep the expansion on track. Since early in 1987, capital goods investment has propelled the volume of exports at better than 22 percent. If planned investment spending matches actual expenditures by year-end, 1988 will be one of the best years for capital spending in the expansion. Still, attempts by producers to regain marketshare will add to competitive pressures and help keep prices in check.

Besides a possible labor constraint, analysts have focused on limitations in production capacity as a source of inflationary pressure. Similar to the labor market dilemma, it is not clear whether production industries have reached maximum capacity utilization. Surely, in the primary processing industries, such as textiles, chemicals and primary metals, full resource utilization is within reach. However, in other industries, such as electrical and non-electrical machinery and autos, ample room for increased production exists.

To date, the majority of investment spending has been for capital equipment, primarily focused on technological improvements and innovative changes for modernization purposes. This, in turn, has a profound impact on manufacturing productivity. On the other hand, outlays for plant expansion have been slow, due in part to the likelihood of continued viable markets into the foreseeable future warranting the risk of investment.

Some lengthening in delivery schedules and production bottlenecks have been reported, but it is far from a broad-based backlog. Consequently, expected cost-push pressures from stretched resource markets and operating capacity are still a bit premature.

FINANCIAL MARKETS

Within a very short period of time, attention in financial markets has shifted from concern over a slowing economy to worries about inflation. One explanation suggests the presence of a bifurcated economy, presenting a clear distinction between the real and financial sectors. At present, the financial sector appears to be more attuned to psychological factors, as evidenced by the recent gain in interest rates. The current interest rate structure includes both an inflation premium as well as a risk premium relative to the volatility in credit markets.

In order to manage the economy, the Fed holds the pivotal position since fiscal response, i.e. taxes and/or government spending, is limited by the massiveness of the Federal budget deficit and this year's political overtones.

Current Fed posturing includes tightening money, as witnessed by the rise in the Federal funds rate. A Federal funds rate above 7 percent is at least symbolic of the Fed's resolve to contain monetary growth and subsequent price pressures.

Still, the Fed holds an unenviable position. While attempting to remain apolitical, it is simultaneously trying to control liquidity within the economy, provide for a stable dollar, keep interest rates in check, and slow domestic demand without jeopardizing the expansion. To say the least, the Fed has established itself as the watchdog against a potential wage-price spiral. In recent testimony to Congress, Federal Reserve Chairman Alan Greenspan stated "...at current levels of resource utilization and with rising prices of imports likely from recent dollar declines, vigilance against signs of reemergence of greater inflationary pressures will continue to be needed."

WILL HISTORY REPEAT ITSELF...?

The current market consensus anticipates worsening inflationary pressures and the eventual demise of the economy by 1989. However, evidence suggests that a historical perspective may be misleading. In essence, structural changes may allow the business expansion to continue relatively unscathed. Financial markets have, after all, shown a tendency to overreact in the past.

Favorable economic prospects for this year are supported by a resurgence in consumer confidence, healthy investment spending, and a gradual improvement in the United States trade position. Whether inflation will rear its ugly head and derail the economy is possible but not certain.

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MIXED SIGNALS IN MAY...
but overall trends remain positive

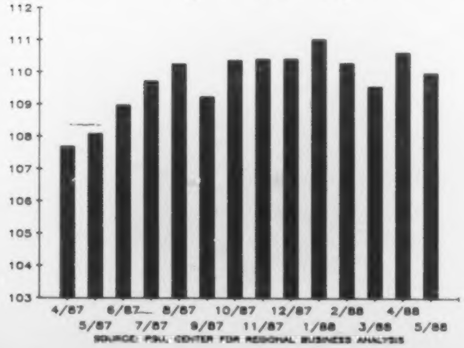
Several times in the past, it has been pointed out in the *Survey* **that it is not unusual for different indicators of the Commonwealth's economic health to be pointing in opposite directions, making it relatively easy to draw a wide variety of conclusions concerning the true course of the economy. May appears to have been such a month as several widely-watched indicators pointed in different directions.** There was a considerable amount of deterioration in the employment and unemployment statistics. Additionally, the number of initial claims for jobless benefits rose for the first time since January. On the other hand, the job situation in the State's nonagricultural establishments looked fairly encouraging for the month as factory job totals held steady alongside continued strength on the nonmanufacturing side. Furthermore, overall construction activity appears to have, at the least, held its own.

The index of leading indicators for the Pennsylvania economy, as tabulated by the Center for Regional Business Analysis, was especially sensitive to the negatives in the overall report as reflected in its decline of 0.5 percent from April readings. While the four consecutive monthly gains in the index in mid-1987 may have correctly forecast a fair uptick in overall economic activity which began in the final months of the year, **it does not appear likely that the recent behavior in the index can be interpreted as pointing to a retrenchment in the economy.** At least a few more months of downward pressure on the index is necessary before a warning bell is sounded. Such a trend is unlikely, especially in light of the continued strength in the nation's economy.

The monthly drop in the number of residents counted as employed, estimated at slightly more than 100,000, left this measure of economic health at its lowest reading so far this year, 5.38 million on a seasonally adjusted basis. There has not been such a considerable decline, at least on a month-to-month basis, over the course of the past several years. **This showing, on top of a relatively large drop in the labor force and a rise in joblessness, would appear to suggest rough sailing for the economy. However, it must be kept in mind that these numbers represent only an estimate based on a fairly small sample of Pennsylvania's population.** In that they do not offer a "perfect" reading of the employment situation, it is best not to put too much weight behind the results for any single month. Indeed, this past May's estimates may not have adequately picked up the inflow into the labor force on the part of the student population resulting from the end of the academic year at many of Pennsylvania's colleges and universities.

Perhaps a truer reading of the overall health of the economy is found in examining longer term trends. For instance, **on a year-to-date basis, employment so far in 1988 has expanded at a 3.7 percent clip, a pace that, if maintained throughout the rest of the year, would represent the strongest showing in at least a decade.** However, it is doubtful that this will happen as the final months of this year will be compared to a rather impressive showing in the same period in 1987, making the continuation of 1988's encouraging first-half showing unlikely. In addition, some may argue that a lack of available labor, as reflected in the long-run decline in joblessness, will naturally limit employment gains in the foreseeable future. At the same time, others argue that

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
September 1987	109.3	85.1	−0.9	−0.2
October	110.4	85.9	1.0	0.9
November	110.4	86.1	0.0	0.2
December	110.4	86.6	0.0	0.6
January 1988	111.1	86.9	0.6	0.3
February	110.3	86.5	−0.7	−0.5
March	109.6	86.0	−0.6	−0.6
April	110.6	86.0	0.9	0.0
May	110.0	85.2	−0.5	−0.9

there really is not an absolute shortage of available labor, but a shortage of labor with appropriate skills. Many of these same individuals argue that there is a large, as yet untapped, supply of labor in, say, the State's elderly, those receiving public assistance who cannot afford daycare for dependents during work hours, and those classified as "discouraged" workers.

Job trends remain positive in most industries, especially on the nonmanufacturing side, in Pennsylvania. **While there may be some relatively short periods of slight upward or downward pressure on factory job totals, they will, in all likelihood, hold fairly steady well into the foreseeable future.** Indeed, at a seasonally adjusted 1.05 million, job levels were unchanged in May after declining for three consecutive months.

At the same time, **the trend in most nonmanufacturing industries, especially in the services category, remains positive and shows little sign of weakening soon.** In light of the divergent job trends evident in our factories and service industries, the relative price of labor in these two sectors should converge over time. As shown in the accompanying chart, this has, in fact, happened. While average annual wages in service industries totaled just slightly above 60 percent of comparable figures from the manufacturing sector in

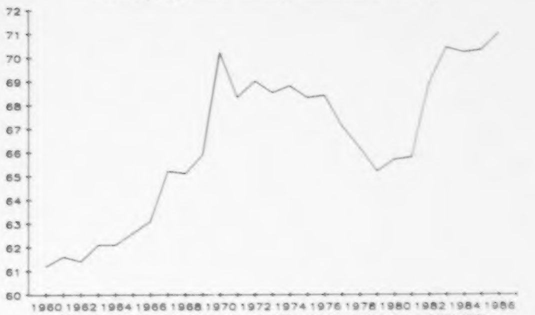
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	April	*May*	*May*	*April*	*May*	*May*	*April*	*May*	*May*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,009	5,040	4,921	5,005	5,012	4,893	109.6	109.8	107.2
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,960*	3,990	3,879	3,957	3,966	3,855	122.8*	123.0	119.6
Mining	30	30	31	30	29	31	61.7	61.0	63.7
Contract construction	224*	236	220	232	234	218	126.3*	127.2	118.6
Transportation	142*	142	144	140	140	142	87.1*	86.8	88.1
Public Utilities	104	105	104	105	105	104	104.3	104.7	103.7
Wholesale trade	268	269	262	268	269	262	121.0	121.4	118.3
Retail trade	865*	874	856	873	875	857	121.7	122.0	119.5
Finance, insurance & real estate	295	296	292	295	295	292	135.8	135.8	134.1
Service & miscellaneous	1,329	1,335	1,274	1,322*	1,327	1,265	153.3	153.8	146.7
Federal government	143	144	141	142	143	141	111.1	111.5	109.8
State & local government	561	560	554	550	549	543	94.3	94.3	93.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,046*	1,049	1,041	1,047*	1,047	1,039	78.1	78.0	77.4
Durable goods	598*	600	591	598*	597	588	73.8	73.8	72.6
Nondurable goods	449*	448	450	451*	450	451	84.7	84.5	84.7
Ave. wkly. hrs. worked by prod. workers	40.9	40.8	40.8	41.2	41.0	41.0	104.2	103.7	103.7
Total wkly. person-hours worked (mils.)	29.2*	29.3	28.8	29.5*	29.3	28.8	76.8	76.5	75.1
Total wkly. payroll (mil. dols.)	298.0*	298.9	286.0	300.4*	299.2	286.3	133.7	133.2	127.4
Average hourly earnings (dollars)	10.20	10.20	9.93	10.19	10.21	9.94	174.2	174.5	169.9
Average weekly earnings (dollars)	417.18	416.16	405.14	420.54	417.83	406.82	181.8	180.6	175.9
Steel production (thous. tons)	1,262*	1,210	1,079	n.a.	n.a.	n.a.	47.9*	47.9	42.8
Industrial electric power sales (mil. kwh)	3,705	3,693	3,482	3,780	3,723	3,549	102.4	100.8	96.1
Mining									
Anthracite coal (thous. net tons)	333	372	333	378	389	350	77.4	79.7	71.7
Bituminous coal (thous. net tons)	5,808	6,712	5,992	5,599	6,132	5,663	79.4	86.9	80.3
Construction contracts awarded (mil. dols.)									
Total	957.5	959.9	706.0*	858.6	938.8	686.3*	266.9	291.8	213.3*
Residential building	437.9	411.4	290.5*	381.3	314.4	228.5*	270.9	223.4	162.4*
Nonresidential building	258.7	328.9	199.0*	293.4	382.9	240.0*	270.4	353.0	221.2*
Nonbuilding (utilities and public works)	260.9	219.6	216.4*	183.9	241.5	217.8*	253.7	333.2	300.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,396	5,355	5,294	5,476	5,375	5,314	113.9	111.8	110.6
Unemployed									
No. of persons (thous.)	260	279	301	285	292	314	70.9	72.9	78.3
Rate (percentage of labor force)	4.6	5.0	5.4						
Rate, seasonally adjusted				4.8	5.1	5.5			
Civilian labor force, no. of persons (thous.)	5,656	5,635	5,595	5,760	5,667	5,628	110.6	108.8	108.1
Initial claims for unemployment benefits	73,720	69,608	71,631	78,521	83,060	91,510	54.8	58.0	63.9

Consumer Prices, all Items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	April	*May*	*April*	*Ago*	*Ago*
U.S. city average	117.1	117.5	113.1	+0.3	+3.9
Philadelphia	120.0	120.9	116.4	+0.8	+3.9
Pittsburgh	114.5	n.a.	110.8	n.a.	+3.3

[1] Total includes workers on strike. * = figure revised = data not available

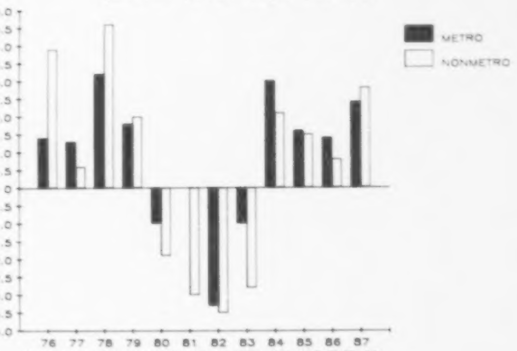
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

AVERAGE ANNUAL WAGES IN SERVICE INDUSTRIES AS A PERCENT OF MANUFACTURING
(for workers covered under Pennsylvania unemployment compensation laws)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, OFFICE OF EMPLOYMENT SECURITY

PA METRO AND NONMETRO AREA JOB GROWTH
(annual percentage change)



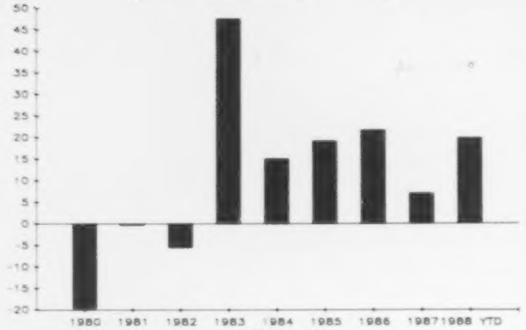
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

the early 1960s, the most recent figures available suggest that they currently come to slightly more than 70 percent of the average manufacturing wage. On the negative side, this does give legitimacy to the worries of some concerning the tradeoff between the high-paying factory jobs and the relatively low-paying service jobs.

There are some easily identifiable trends in examining recent job growth patterns across urban/rural boundaries. In the late 1970s, nonmetro areas, for the most part, outperformed metro areas with respect to nonfarm job gains (see chart). Beginning in 1980, that trend reversed itself, and the metro areas outperformed their nonmetro counterparts on a continuous basis through 1986. Last year resulted in a slightly larger growth rate for the nonmetro areas, but more evidence is necessary to determine if the recent dominance on the part of metro areas has waned. As of 1987, Pennsylvania metro areas accounted for about 88 percent of all nonagricultural jobs. Over the course of the recovery, dating back to 1982/1983, they have accounted for 91 percent of all new jobs.

On the construction front, most evidence suggests that, while conditions are not booming, activity is, at the least, holding its own in Pennsylvania. A solid showing on the nonresidential side in May, as reflected in solid growth in the value of construction contract authorizations, led the way. **While the value of nonresidential authorizations is running at a pace only slightly ahead of a year ago so far in 1988, continued strength in manufacturing activity may translate into increased building activity in the future as it relates to factories and other facilities to meet rising demand.** Activity on the residential side continues to surprise many analysts. As shown in the accompanying chart, a solid showing has been turned in with respect to the year-to-date gain in residential contract awards despite some softening in May. Future trends are very much dependent on the direction in mortgage rates. Any forecast of future trends in borrowing costs, not only for housing but in many other markets as well, is proving to be a risky business as underlying determinants have been quite volatile recently.

GROWTH IN THE VALUE OF PA RESIDENTIAL CONSTRUCTION CONTRACT AWARDS
(annual percentage change)



SOURCE: F.W. DODGE

— *William D. Anderson*

Retail Sales Report

Pennsylvania's retailers turned in another solid showing during the first three months of this year, continuing a string of several consecutive impressive performances. All told, retail sales in the Commonwealth totaled $17.5 billion in the first quarter for a gain of 13.1 percent from the same period in 1987. This comes on the heels of an 8.8 percent annual gain during last year's final quarter. Some of the January-March strength may be attributable to the fact that Easter fell in early April this year which certainly resulted in increased buying activity in the first quarter. Durable goods led the way in the most recent period as sales shot up by a surprisingly strong 28 percent, more than double 1987:IVQ's gain. Sales of nondurable goods rose a more modest 6 percent.

Again, the Commonwealth appears to have outperformed the nation as a whole. For the first quarter, U.S. retail sales grew 9.1 percent. As shown in the accompanying chart, Pennsylvania has steadily narrowed the gap with the nation

Pennsylvania retail sales (millions of dollars)

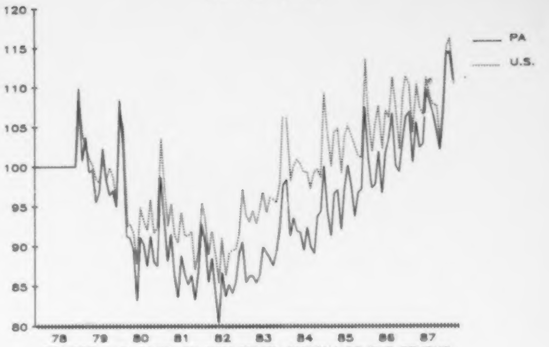
	Retail sales	Pct. change from yr. ago	Durable goods	Pct. change from yr. ago	Nondur. goods	Pct. change from yr. ago
1988:IQ	17,463	13.1	6,413	28.0	11,050	6.0
1987:IVQ	20,283	8.8	6,818	12.5	13,465	7.1

March data is preliminary.
Source: U.S. Dept. of Commerce, Bureau of the Census

with respect to real, or inflation-adjusted, retail sales, which provide a more accurate picture of the volume of sales activity, over the past few years. While the U.S. clearly outperformed the State early in the recovery, Pennsylvania began making up lost ground around 1986. Relative to respective historical trends, retail sales activity in Pennsylvania and the U.S. has been essentially identical over the past half-year which represents a significant improvement for the Commonwealth.

A dominant theme in recent issues of the *Survey* has been that Pennsylvania has an excellent chance to perform at least on par with the nation in 1988. Recent behavior in retail sales does nothing to change that hypothesis.

PA AND U.S. REAL RETAIL SALES
(1978=100)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

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August 1988

PENNSYLVANIA CONTINUES TO HOLD ITS OWN

While month-to-month fluctuations are evident and will probably continue, **general economic trends remain encouraging in Pennsylvania.** Whether or not the recent strength in the economy will hold is debatable, although the determining factors will likely be the ability of the nation's economy to continue growing at a strong pace without reigniting inflationary fires and further improvement in the health of the nation's factories. In that current signals suggest that both of these prerequisites are being met, Pennsylvania economic conditions should remain healthy. It appears that **the Commonwealth is headed for neither boom nor bust in the near-term but rather a period of fairly solid growth,** a scenario which falls in line with recent behavior in the index of leading indicators for the State. Macroeconomic developments (i.e., a more prominent role for the factory sector), appear to be playing in Pennsylvania's favor.

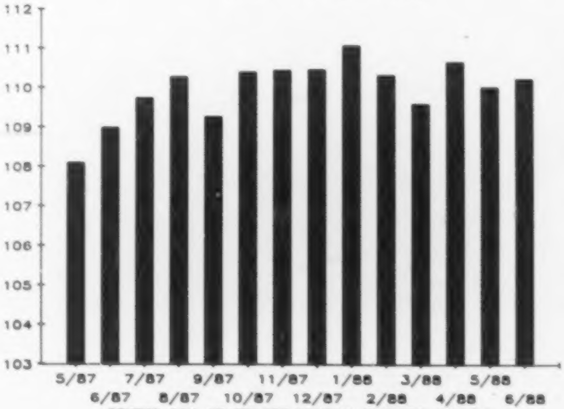
Many feel that the recent U.S. economic numbers have essentially been too good. Their fear is that pressure points are beginning to build, laying the groundwork for a new bout with inflation. While recent signals are suggesting increased inflationary pressures, it has yet to be determined if they will be strong enough to derail the economy.

It may be argued that the recent strength being shown by the Commonwealth is related to a turnaround in the factory sector. As has been pointed out in several past issues of the *Survey*, these industries remain extremely important to the State's economy, despite the downward trend in jobs over the past several years; a trend which has only recently shown signs of reversing itself as manufacturing jobs have advanced at a 1.3 percent annual clip this year following declines in seven of the past eight years. Indeed, most circumstantial evidence suggests that production activity has held its own in Pennsylvania's factories. For instance, the accompanying chart shows that two indicators of production trends, total hours worked in manufacturing and electricity sales to industry, have rebounded in recent months after behaving sluggishly over a period stretching back to 1984.

Based on job trends, **much of the recent strength in manufacturing appears to be coming in the durable goods industries.** Following losses which averaged 2.5 percent per year over the "recovery" period stretching back to 1982/1983, durable goods industries have added workers at a 2.2 percent annual clip through the first half of 1988. Nondurable goods jobs have barely held steady this year after declining at an average rate of 1.5 percent since the early 1980s. Total nonfarm jobs have grown by 2.6 percent this year compared to a 1.9 percent average over the 1982/1983-1987 period (see chart).

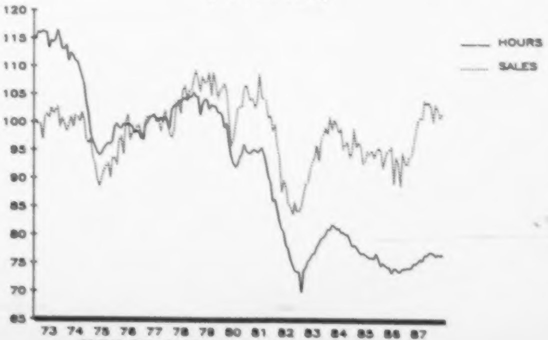
The bulk of all new jobs continue to be generated in the nonmanufacturing sector, a trend which will most certainly continue into the foreseeable future. Relative to the performances of these industries over the earlier years in the recovery, job growth has slowed somewhat this year, but by an insignificant amount. While nonmanufacturing job growth averaged 3.2 percent per year early in the expansion, a 3 percent gain has been turned in so far this year. Of the nine major nonmanufacturing industries analyzed, five have shown improvement with respect to job growth so far this year

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



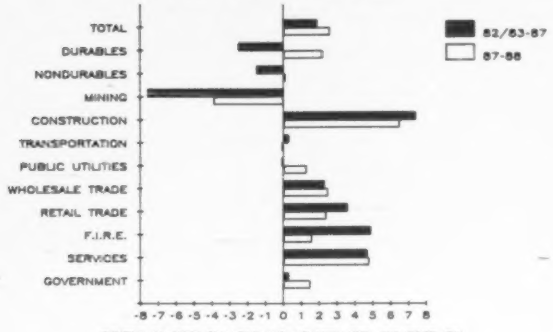
SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PA FACTORY HOURS WORKED AND ELECTRICITY SALES TO INDUSTRY (1977=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PA NONAGRICULTURAL JOB GROWTH, 1982/1983-1987 AND 1987-1988 YTD
(annual percentage rate)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

relative to their recent performances.

Still, considerable room remains for improvement, especially in the western portions of the Commonwealth. This conclusion is arrived at by examining the relationship between the jobs gained in the current expansion, which is estimated to have begun around 1982/1983, though the specific date of the "trough" varies from region to region, and the jobs lost in the general economic decline which we estimate to have lasted from 1979-1982/1983. **Nine of the State's 15 metro areas have managed to replace all of the jobs lost in the early 1980s. Of the six that have yet to do so, all are located in western Pennsylvania** (see table).

Although pockets of weakness remain, **the good news of late has more than offset the bad news, a trend reflected in improvements on the employment/unemployment**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,040	5,070	4,946	5,012	5,029	4,905	109.8	110.2	107.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,989*	4,009	3,894	3,964	3,980	3,865	123.0	123.5	119.9
Mining	30	30	31	29	29	30	61.2*	60.6	62.9
Contract construction	236	246	230	234	236	220	127.1*	128.4	119.3
Transportation	143*	141	144	140	140	142	87.2*	86.8	88.4
Public Utilities	105	106	105	106	105	105	104.8*	104.5	103.9
Wholesale trade	269	270	265	269	268	263	121.3*	120.9	118.6
Retail trade	874	879	862	874	875	858	121.9*	122.1	119.6
Finance, insurance & real estate	296	299	295	296	296	292	135.9*	136.3	134.4
Service & miscellaneous	1,334*	1,341	1,280	1,326*	1,332	1,271	153.7*	154.5	147.4
Federal government	143*	144	142	143	143	141	111.5	111.5	110.1
State & local government	559*	552	540	549	554	542	94.2*	95.1	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,050*	1,059	1,051	1,048*	1,049	1,040	78.1*	78.2	77.5
Durable goods	601*	607	596*	598	600	588	73.8	74.0	72.6
Nondurable goods	449*	452	455	450	449	452	84.6*	84.4	84.8
Ave. wkly. hrs. worked by prod. workers	40.8	41.2	41.2	41.0	41.0	41.0	103.7	103.8	103.7
Total wkly. person-hours worked (mils.)	29.3	29.9	29.3	29.4*	29.5	28.8	76.5	76.7	75.1
Total wkly. payroll (mil. dols.)	299.0*	306.1	291.1	299.3*	301.9	287.0	133.2	134.4	127.8
Average hourly earnings (dollars)	10.20	10.23	9.94	10.21	10.25	9.96	174.5	175.2	170.2
Average weekly earnings (dollars)	416.16	421.48	409.53	417.83	420.22	408.52	180.6	181.7	176.6
Steel production (thous. tons)	1,195*	1,133	1,008	n.a.	n.a.	n.a.	47.3*	50.7	45.1
Industrial electric power sales (mil. kwh)	3,693	3,832	3,700	3,723	3,761	3,626	100.8	101.8	98.2
Mining									
Anthracite coal (thous. net tons)	372	355	359	389	354	369	79.7	72.5	75.6
Bituminous coal (thous. net tons)	6,712	6,452	6,003	6,132	6,420	5,872	86.9	91.0	83.3
Construction contracts awarded (mil. dols.)									
Total	959.9	1155.0	1202.8*	938.8	841.9	899.5*	291.8	261.7	279.6*
Residential building	411.4	385.8	361.2*	314.4	323.8	303.7*	223.4	230.1	215.8*
Nonresidential building	328.9	385.6	504.1*	382.9	285.3	395.5*	353.0	263.0	364.5*
Nonbuilding (utilities and public works)	219.6	383.6	336.9*	241.5	232.8	200.3*	333.2	321.1	276.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,355	5,461	5,365	5,375	5,411	5,314	111.8	112.6	110.6
Unemployed									
No. of persons (thous.)	279	325	355	292	292	324	72.9	72.9	80.7
Rate (percentage of labor force)	5.0	5.6	6.2						
Rate, seasonally adjusted				5.1	5.1	5.7			
Civilian labor force, no. of persons (thous.)	5,635	5,786	5,719	5,667	5,703	5,638	108.8	109.5	108.3
Initial claims for unemployment benefits	69,608	73,976	84,738	83,060	83,192	90,278	58.0	58.1	63.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987		
	May	*June*	*June*	*Month Ago*	*Year Ago*
U.S. city average	117.5	118.0	113.5	+0.4	+4.0
Philadelphia	120.9	121.9	117.4	+0.8	+3.8
Pittsburgh	n.a.	114.3	111.1	n.a.	+2.9

PA metro area nonagricultural job growth in the current business cycle (in thousands)

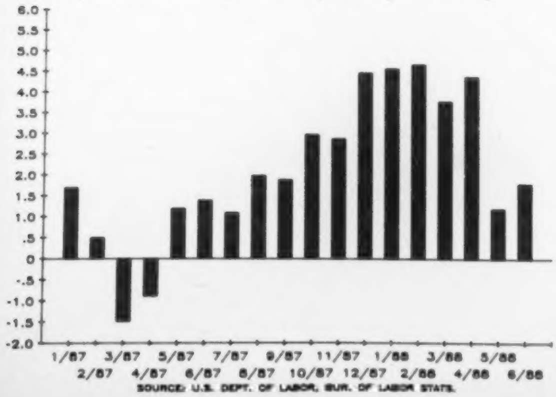
	1979-1982/1983 (contraction)	1982/1983-present (expansion)
Allentown-Bethlehem	−12.3	22.2
Altoona	− 5.8	4.8
Beaver County	−20.7	−8.7
Erie	−11.6	5.7
Harrisburg-Lebanon-Carlisle	− 2.4	39.4
Johnstown	−15.2	3.1
Lancaster	− 3.2	31.4
Philadelphia	− 6.0	258.6
Pittsburgh	−68.1	11.6
Reading	− 4.0	16.3
Scranton-Wilkes-Barre	−13.1	29.9
Sharon	− 6.2	1.2
State College	3.5	8.3
Williamsport	− 4.1	8.2
York	− 8.0	23.8

Source: PA Dept. of Labor and Industry, Res. and Stats. Div.

front. In fact, the number of residents counted as employed has remained above year-ago readings since May of 1987. As a result, the trend in unemployment has remained downward as recent jobless rates have been at their lowest readings since the mid-1970s.

However, further analysis of recent labor force developments tends to offset some of this optimism. Many point to the fact that, through June, the Pennsylvania unemployment rate remained below the nation's for 25 consecutive months as evidence of the strong performance of the Commonwealth's economy. However, over that period, employment growth has averaged just 1.6 percent on an annual basis in the State compared to 2.3 percent throughout the U.S. Labor force growth, usually a solid indicator of the overall health of an economy, has averaged out at an annual rate of just 0.6 percent in Pennsylvania over the period compared to 1.4 percent nationally. (Other factors, especially as they relate to demographics, must be taken into account before a definitive conclusion may be arrived at. A slow-growing population limits the potential increases in Pennsylvania's labor force and employment.) At the least, **it is apparent that while Pennsylvania may be outperforming the U.S. so far this year on the employment/unemployment front, the majority of the ground lost earlier in the decade remains to be made up.**

PENNSYLVANIA RESIDENT EMPLOYMENT GROWTH
(percent change from year-ago month)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

The period of slow growth in resident employment which we have previously forecast for the second half of this year appears to have arrived. After growing in excess of a 4 percent annual rate in four of the previous five months, growth in May and June totaled less than 2 percent. The first piece of information on the health of the economy in July also suggests that employment growth remained in the 2 percent range.

Construction activity is showing no signs of the strong growth recorded a year or two ago. To date, **it is estimated that just over $5 billion in construction contracts have been awarded in 1988. This represents a gain of under 3 percent, which, after taking into account cost/price gains, suggests that actual activity, at best, may be holding its own and, at worst, may be off slightly.** For instance, at nearly 29,400, the number of housing units authorized by permit during the first half of the year is up by a negligible 300 from the same period in 1987. Still, construction jobs continue to advance as they have risen 6.5 percent this year. In June, jobs totaled 246,000, up 16,000 from the year-ago level.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

While the service-producing and construction industries continued to turn in solid showings during this year's second quarter in the Lehigh Valley, the situation in the factory sector also improved to round out a fairly impressive performance, though the region is far from problem-free. It does appear that the losses realized during the early 1980s have been offset as 22,200 jobs have been added during the current recovery compared to 12,300 lost during the most recent prolonged slump.

The manufacturing job gain totaled a very slight 600 from the first quarter as job levels settled at 76,200. However, the gain did surpass normal seasonal expectations for only the second time in the past 16 quarters. Clearly, this seasonally adjusted gain is quite welcome, but at the same time, it can not yet be classified as the start of a trend. Even if the region is entering a period in which factory jobs will be on the upswing, it is likely that the gains will be minimal. Such a development will not be especially surprising if recent trends in the average factory workweek are a sign of things to come. A high workweek tends to prop up job levels, and the 40-hour reading in the Lehigh Valley is the second highest on record.

The news remains positive in the region's nonmanufacturing establishments as job levels rose to another record in topping the 200,000 mark for the first time. Construction activity appears to be strong as nonresidential contract awards so far in 1988 are double their 1987 first half values to go along with a relatively stable showing on the residential side. Furthermore, building-related jobs are up by 1,600 so far this year on an annual basis.

Allentown-Bethlehem Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	306.1	112	112	110
Unemployed, no. of residents	14.1	67	76	77
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	320.1	109	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.5	108	107	105
Nonmfg. only, no. of jobs	201.2	135	134	130
Mfg. only, no. of jobs	76.2	72	70	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	105	104	103
Industrial electric power sales				
Metropolitan area	***	111	113	107
Allentown	***	97	97	99
Bethlehem	***	120	124	112
Easton	***	116	111	108
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	191.4	+ 8		
Nonresidential contracts only	117.8	+99		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Even this solid showing, however, is overshadowed by the 5,300 jobs added in the region's service-producing establishments through the first six months of 1988. Some, however, are concerned that these new jobs do not represent "adequate" replacements for the manufacturing jobs lost. Their arguments center around wage differentials as average annual wages in service jobs come to slightly above 70 percent of manufacturing wages in Carbon and Northampton Counties and 63 percent in Lehigh County.

The dominant theme running through this and previous analyses of economic conditions in the Allentown-Bethlehem metro region in the *PBS* is that short-term gains are being realized in the economy, but that this improvement must be put in proper perspective. This is apparent in the data on general labor force activity. The economy's strength is evident in declines in the jobless rate which, at a seasonally adjusted 4.2 percent in the second quarter, was at its lowest level since 1974 and was down two-thirds from its reading at the height of the recession. At the same time, employment continues to expand as second quarter readings were at a record after seasonal adjustment. However, the long-run trend in the labor force has been flat which is not reflective of a rapidly expanding economy. Had the labor force grown at a near-normal rate, the improvement in unemployment would have been considerably less pronounced. The situation, however, has improved as recent months have found employment expanding at a pace strong enough to absorb solid increases in the labor force and reduce unemployment.

Scranton-Wilkes-Barre

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	328.5	116	117	113
Lackawanna County[2]	100.9	112	113	109
Luzerne County[3]	146.1	110	111	108
Unemployed, no. of residents				
Metropolitan area	20.3	66	72	75
Rate, seasonally adjusted	5.8			
Lackawanna County[2]	5.5	55	65	63
Luzerne County[3]	10.6	72	77	82
Civilian labor force, no. of residents				
Metropolitan area	348.8	111	113	110
Lackawanna County[2]	106.5	107	108	105
Luzerne County[3]	156.7	107	108	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	296.1	113	113	110
Nonmfg. only, no. of jobs	224.8	126	125	122
Mfg. only, no. of jobs	71.2	85	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	112	111	109
Lackawanna County[2]	***	127	123	123
Luzerne County[3]	***	96	98	98
Hazleton	***	100	102	101
Wilkes-Barre	***	85	88	91
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	152.2	+53		
Nonresidential contracts only	75.8	−19		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Second quarter economic results in the five-county Scranton-Wilkes-Barre region are best characterized as "uneventful." Few signs emerged suggesting considerable upward or downward pressure on current trends. While a plateau appears to have been reached, it is a rather lofty one as it appears to be allowing for relatively high levels of employment and overall activity. Still, while we conclude that the economy has grown at a fair pace over the course of the recovery, it is not especially difficult to paint a more pessimistic picture.

Although the jobless rate fell a seasonally adjusted 0.5 percentage point from first quarter averages to settle at 5.8 percent, employment actually fell during the quarter after seasonal adjustment, the first such decline since the final months of 1986. The drop was solely the result of a net outflow from the labor force relative to the first three months of the year. These developments do not adequately reflect the amount of improvement which has taken place on the employment front over the past several years. For instance, compared to the first half of 1987, employment has expanded by 10,700 residents so far this year which has helped lower the number of residents officially counted as jobless by 2,800 and absorb an increase in the labor force amounting to 7,800.

In the last "Around the State" report, it was pointed out that resident employment growth over the recovery period varied widely from county to county within the region. The same kind of differentials are evident in examining manufacturing job trends. In Columbia, Monroe, and Wyoming Counties, 1,300 factory jobs were generated between 1982/1983 and 1987. Lackawana and Luzerne Counties lost 4,900 jobs between them over the same period. These data indicate that while the manufacturing sector is not a ready source for new jobs, some industries are at least holding their own. It is extremely important that the Commonwealth's industrial communities maintain their fair share of factory activity. Second quarter brought with it further evidence that the bulk of all manufacturing job losses have already occurred in the region. While job losses continue to bring about record lows practically each quarter, they are lessening. While 2,500 jobs were lost in the first half of 1985, only 600 positions were eliminated between the first halves of 1987 and 1988. Strength in electricity sales to industry and a relatively high factory workweek provides further evidence that the worst is over for northeast Pennsylvania's manufacturers.

The region's nonmanufacturers continue to add jobs at a respectable pace as new records continue to be set on a monthly basis in stark contrast to the situation on the manufacturing side. In fact, job growth in these industries has outpaced the gains recorded statewide over both the short-run and the entire recovery period stretching back to the early 1980s. Developments in construction contract awards during the first six months of this year suggest that activity is holding its own as a 53 percent surge in residential contract values offset a 19 percent decline for nonresidential projects.

Taken as a whole, second quarter data suggest that the region, like the Commonwealth as a whole, has taken considerable strides in rebounding from the turbulent early years of the decade. Still, it is probably too optimistic to suggest that the region has been experiencing a boom. Instead, it appears that the region is moving ahead at a fairly healthy pace; a pace that should continue should trends remain favorable nationally but will probably not be improved upon.

Williamsport

After stringing together a series of impressive performances, the Lycoming County economy appeared to take a breather during the April-June period of this year. Still, second quarter's slight retreat did little to offset the gains which have accumulated over the past few years. For instance, while over 4,000 jobs were lost during the course of the back-to-back recessions of the early 1980s, more than 8,000 have been added since the onset of the subsequent recovery. Furthermore, much of second quarter's shortfalls occurred after adjustment for seasonal variation; while actual gains in, say, employment and other job measures were recorded, they simply failed to live up to normal seasonal expectations. Construction activity, however, did not take part in what is hopefully a brief respite as activity appears to have soared according to construction contract awards. Most noticeable is the $16.6 million in nonresidential contract values rung up so far this year, more than four times the value of awards from the first six months of 1987.

Williamsport Area[1]

	Ave. mo. value *2 Q.'88*	Average monthly index seas. adj. (1977 = 100) *2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	57.4	123	124	115
Unemployed, no. of residents	2.9	61	74	64
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	60.4	117	119	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.0	115	114	108
Nonmfg. only, no. of jobs	36.3	128	126	120
Mfg. only, no. of jobs	16.7	94	96	90
Hrs. worked by production workers in mfg., ave. weekly	41.5	106	106	107
Industrial electric power sales	***	92	113	85
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	10.8	+ 21		
Nonresidential contracts only	16.6	+337		

[1] Lycoming County

Elsewhere, manufacturing jobs, after adjusting for seasonality, fell slightly for the first time since the final quarter of 1986. Specifically, while factory jobs tend to expand by about 500 during the three-month period, a gain of 100 actually occurred, resulting in the seasonal shortfall. Still, job levels currently stand at their highest second quarter levels since the late 1970s which is quite an accomplishment in light of the record low job numbers being turned in throughout much of the rest of the Commonwealth. Nonmanufacturing jobs rose at what is best described as an "average" pace in the second quarter. Over the past year, job growth has averaged 1.7 percent per quarter in the region's nonmanufacturing establishments which is exactly the rate of growth for the April-June period. The combination of trends in the factory and nonmanufacturing sectors did allow for some gains in overall nonfarm jobs, but they did not live up to recent experiences. After adjusting for seasonality, nonagricultural jobs grew at a pace in the second quarter equal to only about one-half its average for the past year.

The seasonally adjusted 1 percentage point drop in the jobless rate in the second quarter from the previous three months illustrates why caution is required in interpreting these statistics. In light of the previously mentioned decline in seasonally adjusted employment, second quarter's drop was not necessarily the result of positive developments. Still, long-run trends remain encouraging on the employment/unemployment front. Employment of the county's residents is up by about one-fourth over the course of this recovery. This compares rather favorably with the 15 percent advance Statewide.

Southwestern Quarter

Altoona

Except for some positive news on the construction front, where the value of contract awards for both residential and nonresidential construction projects were up around 80 percent in this year's first half compared to the same period in 1987, overall economic activity may have eased slightly in Blair County during this year's April-June period.

After adjusting for seasonality, the region's unemployment rate rose 0.1 percentage point for the quarter to 7 percent as the gain in employment was less than expected based on historical trends. Second quarter's relatively sluggish showing in terms of employment growth, however, did little to suppress the upward trend in employment which has been evident since the onset of the recovery in the early 1980s. However, the unemployment rate does appear to be stuck in the 7 percent range where it has remained for the past seven quarters. Both national and State measures of joblessness have continued to decline over that period.

Likewise, signals coming from the metro area's nonagricultural establishments suggest that the economy retreated into a holding pattern after recording some respectable gains

Altoona Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	55.3	106	108	104
Unemployed, no. of residents	4.1	105	106	103
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	59.5	106	108	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.1	102	102	99
Nonmfg. only, no. of jobs	40.7	107	107	104
Mfg. only, no. of jobs	11.3	86	88	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	106	107	104
Industrial electric power sales	***	78	77	77
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.3	+82		
Nonresidential contracts only	30.3	+80		

[1] Blair County.

in previous months. The increase in total nonfarm jobs was less than is normally the case in the late spring/early summer months as sub-par performances were turned in on both the manufacturing and nonmanufacturing sides. Still, it is much too early to suggest that the region is in for a period of relatively sluggish reports. The situation on the nonagricultural jobs front was off only slightly from what we would normally expect and the outlook continues to suggest further gains in nonmanufacturing employment alongside a factory sector holding job levels fairly steady. Still, the situation on the manufacturing side leaves considerable room for improvement as job levels have increased only slightly since recessionary lows were recorded in 1983 and electricity sales to industry remain at or near their lowest levels in several years. On the plus side, the average factory workweek is hovering near record high readings. Mostly as a result of the long-run weakness in factory job levels, the region has yet to regain all of the jobs lost in the early 1980s. Specifically, about 6,000 jobs were lost over the 1979-1982/1983 period in all nonfarm establishments compared to a gain of 5,000 since then.

Johnstown

Looked at negatively, second quarter economic growth in Cambria and Somerset Counties does not appear to have matched previous gains. On the positive side, little, if any, ground was lost and future trends should find the region in a moderate growth scenario. Such an outlook, however, still leaves room for improvement, especially relative to the metro regions in the eastern portion of the Commonwealth.

Job gains in the region's nonfarm establishments were nearly identical to what is normally expected for the second quarter. On the manufacturing side, job levels continue to drift up ever so slightly from their all-time lows recorded earlier in the decade and, at 13,400, are at their highest second quarter readings since 1982. This "slight upward drifting" is probably the best that can be hoped for well into the foreseeable future but still represents a big improvement over earlier trends. Also, despite a minimal decline in the average factory workweek, it fell 0.6 hour to 39.7 hours, seasonally adjusted, this measure of manufacturing's health remains only slightly below pre-recession highs. Additionally, electricity sales to industry continue to surge. Unlike the situation in the State as a whole where nonmanufacturing job levels have been at a record high level for several years run-

Johnstown Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	87.1	91	91	88
Unemployed, no. of residents	6.7	62	69	69
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	93.9	88	89	86
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.9	90	90	88
Nonmfg. only, no. of jobs	66.5	99	99	97
Mfg. only, no. of jobs	13.4	63	63	60
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	103	100
Industrial electric power sales	***	191	176	160
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	26.8	+28		
Nonresidential contracts only	18.1	+43		

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	894.0	103	104	101
Beaver County	56.9	67	67	66
Unemployed, no. of residents				
Pittsburgh[1]	54.3	85	94	97
Beaver County	5.6	87	92	90
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.8			
Beaver County	9.1			
Civilian labor force, no. of residents				
Pittsburgh[1]	948.3	102	103	101
Beaver County	62.5	68	69	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	870.0	99	100	98
Beaver County	51.8	67	67	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	744.8	114	114	112
Beaver County	42.2	110	109	107
Mfg. only, no. of jobs				
Pittsburgh[1]	125.0	56	57	56
Beaver County	9.6	25	26	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.9	n.a.	n.a.	n.a.
Beaver County	42.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	60	60	57
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	247.2	+ 28		
Beaver County	9.7	+ 31		
Nonresidential contracts only				
Pittsburgh[1]	299.1	+ 9		
Beaver County	11.0	+175		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

ning, job readings in these establishments in the metro area, at 66,500, remain below record highs, but the gap is narrowing. As a result of the well-publicized gains in these industries which have been realized over the course of the recovery, job levels have grown from within approximately 8,000 jobs of the 1979 high to within 4,000.

A major issue concerning the trade-off between the factory jobs lost and the (mostly) service jobs gained continues to revolve around differences in wages. Indeed, while such concerns may be somewhat exaggerated, some evidence does suggest that they may be warranted. For instance, 1987 data show that the average annual wage in service industries amounts to about four-fifths of similar readings for the factory sector in Cambria and Somerset Counties. While it is probably safe to say that the "average" job gained pays less than the "average" job lost, it is also apparent that not all new jobs offer only rock-bottom wages.

Trends on the employment/unemployment front appear to be reflecting overall trends in the economy: despite taking a breather in the second quarter, considerable improvement has been recorded in recent years but room remains for further gains. Although employment remains on an upward path, and growth may have picked up slightly so far this year, gains in the region continue to fall short of those registered Statewide. Furthermore, while it is often pointed out that jobless rates are at their lowest levels since the mid-1970s, current employment is off by several thousand from readings in the earlier period.

Pittsburgh-Beaver Valley

Second quarter trends in the five counties making up the Pittsburgh-Beaver Valley region appeared to mirror overall economic conditions throughout the State as there were few dramatic developments but long-run trends continue to point upward. However, it must be realized that problems remain. For instance, a strong case claiming that the region continues to lag overall State and national growth may easily be made. Furthermore, it is debatable as to whether or not the region has even fully recovered since the end of the national recession in the early 1980s. Beaver County is the only metro area in the Commonwealth to have realized a net loss in nonfarm jobs since the expansion began around 1982/1983. In the four-county Pittsburgh area, nearly 12,000 new jobs have been added to payrolls over the period. However, this still falls well short of the 68,000 lost during the previous slump.

Perhaps the most encouraging news comes on the construction front where solid increases in the value of contracts awarded for both residential and nonresidential projects have been turned in throughout the region. Consistent increases in construction jobs also provide evidence that activity, though certainly not booming, continues on at a fair pace.

Elsewhere in the nonmanufacturing sector, the service-producing industries continue to fuel an overall solid performance in the region's nonfactory establishments. The 744,800 nonmanufacturing jobs maintained in the Pittsburgh area represent a record high and a gain of 11,300 from year-ago readings. Similarly, the 42,200 positions on payroll in Beaver County establishments represent a new record. Still, while these industries have been generating nearly all new jobs, gains have simply not lived up to those turned in at the State and national levels.

As has been mentioned in earlier reviews of regional economic conditions, the worst appears to be over for manufacturing in terms of job losses. Both the Pittsburgh and Beaver County metropolitan areas currently find the manufacturing employment picture fairly stable. Relatively high average factory workweeks should help prop up job levels in the near future. Although electricity sales to industry, a good proxy for production activity, have rebounded slightly over the past year, they are still quite low in historical terms. Several years of difficulty, which have left job numbers at or near record lows, still hang over the regions' heads. Indeed, the shrinking manufacturing base and the associated loss of income and jobs is certainly a major cause of the relatively slow growth in nonmanufacturing and service jobs in the region. There is clearly a strong relationship between the health of the goods- and service-producing sectors.

As with most economic indicators pertaining to southwest Pennsylvania, it is a relatively easy task to find good news and bad news in both short- and long-term employment/unemployment trends. Employment gains in the four-county Pittsburgh region have helped lower the jobless rate nearly two-thirds since the onset of the recovery to a seasonally adjusted 5.8 percent in the April-June period, its lowest reading over the period in which comparable data have been tabulated stretching back to 1975. However, a declining labor force has also helped lower joblessness. A similar drop in Beaver County's jobless rate has occurred at the same time that employment has actually been on a downward trend. In this case, the declining labor force is the sole reason for the "improvement" on the jobless front. While such trends in the labor force do, at least at first glance, reduce the unemployment problem, the long-run danger is that they will result in labor shortages down the road, limiting the potential for future economic growth.

There are some easily identifiable differences in recent job and employment trends across the five counties making up the region. Beaver County has clearly suffered the most in recent years as nonfarm jobs were off by nearly one-fifth over the 1982/1983-1987 period. However, each of the four counties in the Pittsburgh metro region have added workers over that period, though, again, at varying rates: Fayette (a 6.3 percent advance), Washington (3.3 percent), Westmoreland (2.9 percent), and Allegheny (2.1 percent). Similar ordinal rankings are achieved when resident employment gains are categorized.

State College

Although it does appear that there may have been some slowing in growth in the Centre County economy during this year's second quarter, such a respite did little to offset the gains racked up earlier and still leaves the region sitting on solid ground. There is little to suggest that the future will bring about any appreciable reduction in activity, so it does appear likely that the region will remain one of the strongest, in economic terms, throughout the entire Commonwealth.

It is best not to overreact to the slight deterioration in the employment and labor force statistices which occurred over the April-June period. Although both measures of the economy's health rose from first quarter readings, the increases were less than expected based on historical trends. Still, both were at all-time highs for the second quarter. So far this year, employment is up about 2,[illegible] over-year ago readings, a gain which has been strong enough to absorb a similar inflow into the labor force. The end result has been an unemployment rate that has averaged 5.4 percent so far this year, down from 5.6 percent during the first half of 1987.

Both the manufacturing and nonmanufacturing sectors continue to add jobs in the region, although recent gains have been concentrated in the service-producing establishments. On a year-to-date basis, total nonfarm jobs have grown by 2,100 positions through the first six months of 1988 relative to a year ago. Approximately four-fifths of these jobs have been generated by the County's nonmanufacturers. Second quarter's 46,900 nonmanufacturing jobs represent a record high after adjusting for seasonality while the 7,700 factory-related positions translate into the highest reading in three years. The strength of the economy is apparent in examining job trends over the course of the current business cycle. The region was the only metro area in Pennsylvania to actually add jobs over the 1979-1982/1983 period, a time of general economic contraction. Economic growth over the subsequent recovery has generated 8,300 additional jobs.

Northwestern Quarter

Erie

While the Erie County economy has rebounded considerably from the troublesome early 1980s, second quarter gains were minimal, at best. Still, overall trends are expected to remain fairly positive, though it is likely that the region will continue to turn in an "average" performance, especially relative to the results expected from the metropolitan areas in the eastern portions of Pennsylvania. Although there is no denying that the region has turned in a fair showing over the past several years, several stubborn problems still remain.

Nonagricultural job totals did increase by 1,700 from first quarter readings to 112,100, the highest second quarter total since 1981. However, the increase typically comes in at slightly above 2,000. Manufacturing job levels have hovered in the 34,000 range for nearly two years and are likely stay very near current readings. While this represents a good deal of improvement over the the nearly continuous losses turned in earlier in the decade, it still leaves job totals only slightly above all-time lows. Long-run trends are much more encouraging in the nonmanufacturing sector. The 77,500 positions in these establishments represent the highest second quarter reading on record. Most, if not all, new jobs generated in the foreseeable future will come from these industries. Much of the growth in construction activity is behind the region but activity should remain very near current levels. Construction job totals are up by a negligible amount on an annual basis so far this year while the region is one of only a few to have turned in a decline in total construction contract awards.

One reason why our optimism with respect to the region's recent gains is somewhat qualified is that it is debatable as to whether or not the region has fully recovered from the back-to-back recessions of the early 1980s. While approximately 6,000 jobs have been generated since the onset of the current recovery in Erie County, close to 12,000 were lost during the recessions.

While the situation is slightly better with respect to resident employment which currently is only slightly below all-time highs after a less than normal gain of only 1,000 in the second quarter, the region's problems *vis-a-vis* the State as a whole are apparent as employment growth has tended to lag Statewide averages. Because of this and a relatively flat trend in the labor force over the past several years, a cautious view of the decline in joblessness in the region is required. While employment gains have helped drive down the unemployment rate to a seasonally adjusted 5.9 percent in the second quarter, about one-third of its recession peak, the fact that the net inflow into the labor force has been minimal has also eased the way for the drop in the unemployment rate, a trend which should not be interpreted too positively.

Sharon

While several Pennsylvania metro regions appeared to take a breather during this year's second quarter, the Sharon area continued a recent trend of slow, but steady, progress. Two items are especially noteworthy. Construction activity continues to move foward with the residential sector leading the way as contract values for these projects were more than double their 1987 readings during the first half of this year. Secondly, manufacturing job totals have risen at a brisk pace since the beginning of 1987. All told, 1,100 factory jobs have been added since the second quarter of last year.

Manufacturing's strength, along with even larger gains in the nonmanufacturing sector have pushed total nonfarm jobs up by 2,400 so far this year to 42,100. After adjusting second quarter's 32,400 nonmanufacturing jobs for seasonal ups and downs, the number of positions maintained in these establishments over the April-June period represent the third consecutive quarter in which a record has been set. But while much of the short-term news remains encouraging, the region is far from problem-free. Essentially, it appears that Mercer County is struggling to regain all of the ground lost earlier in the decade while a good deal of the rest of Pennsylvania has continued moving ahead. For instance, although total

State College Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	57.7	138	139	133
Unemployed, no. of residents	3.1	116	116	120
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	60.8	137	138	132
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.7	135	134	130
Nonmfg. only, no. of jobs	46.9	137	137	132
Mfg. only, no. of jobs	7.7	120	119	115
Hrs. worked by production workers in mfg., ave. *weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	124	125	117
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	34.8	+ 5		
Nonresidential contracts only	39.0	+ 106		

[1] Centre County

Erie Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q '88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	118.9	107	109	105
Unemployed, no. of residents	7.9	83	93	98
Rate, seasonally adjusted	5.9			
Civilian labor force, no. of residents	126.9	105	108	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.1	102	102	100
Nonmfg. only, no. of jobs	77.5	115	115	112
Mfg. only, no. of jobs	34.6	81	82	80
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	104	101
Industrial electric power sales	***	117	115	107
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	29.3	−13		
Nonresidential contracts only	31.6	− 2		

[1] Erie County

nonfarm job levels continue to increase, they still fall short of pre-recession peaks. Elsewhere in the Commonwealth, total nonagricultural jobs currently stand at record highs. Furthermore, while the region has only recently set records with respect to nonmanufacturing jobs, the State has been operating with a record number of nonmanufacturing workers essentially since the recovery began. Likewise, while manufacturing jobs have been on the upswing of late, the 10,600 factory-related positions falls far below similar readings from the 1970s and early 1980s. Clearly, much room remains for improvement.

The region's jobless rate came in at a seasonally adjusted 4.9 percent in the second quarter, its lowest level since 1970 and off considerably from the recession high of 20.6 percent in early 1983. Over the five-year period since then, employment has increased by about 4,000, yet the number counted as unemployed has dropped by 8,400. Hence, the long-run decline in the labor force has accounted for a significant share of the drop in unemployment. Still, the 47,900 residents counted as employed in the second quarter is the highest reading since 1981.

Sharon Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	47.9	99	99	93
Unemployed, no. of residents	2.4	60	63	77
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	50.3	96	96	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.0	94	93	89
Nonmfg. only, no. of jobs	32.4	111	110	106
Mfg. only, no. of jobs	10.6	65	64	58
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	114	119	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.9	+141		
Nonresidential contracts only	4.7	+ 12		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Although there were a few signs suggesting that growth slowed somewhat over the April-June period in the four-county Harrisburg-Lebanon-Carlisle metro area, the region's economy remains on an upward path and continues to turn in one of the strongest performances in the State. In that forecasts for a national recession anytime soon are becoming few and far between, it is quite likely that the region will continue posting solid numbers.

The region's strong performance is evident in recent trends in employment and unemployment. Throughout the current recovery, the area's jobless rate has remained at about 70 percent of the Statewide average. Second quarter's seasonally adjusted unemployment rate of 3.7 percent compares quite nicely with the 5 percent reading throughout Pennsylvania. Except for a brief dip near the end of 1986, both employment and the labor force have been at record high levels since shortly after the recession bottomed out around the beginning of 1983. Employment has remained above the 300,000 level after adjusting for seasonality since the third quarter of last year. So far this year, employment has expanded by 11,800, a gain strong enough to absorb an identical net inflow into the labor force.

Perhaps the best way to illustrate the strength of the region's performance with respect to nonfarm job growth is to examine trends over the course of the current business cycle. The metro area lost only 2,400 jobs, the second best showing in the State, during the general economic contraction lasting from, roughly, 1979-1982/1983. During the subsequent recovery, the region has added 39,400 jobs which trails only the gain in the Philadelphia region. As elsewhere in the Commonwealth, the majority of all new jobs have come in the nonmanufacturing sector. At 249,400, job levels in these establishments remain at a record high, even after adjusting for normal seasonal ups and downs. Even on the much-maligned manufacturing side, the region is at least holding its own. The 52,300 jobs in these establishments represent the highest second quarter total since 1984. Over the past five years, factory jobs have growth 2.5 percent in

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	304.7	121	122	118
Unemployed, no. of residents	12.0	75	81	79
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	316.6	119	120	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	301.7	122	121	118
Nonmfg. only, no. of jobs	249.4	129	128	125
Mfg. only, no. of jobs	52.3	96	97	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	94	97	77
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	159.9	+63		
Nonresidential contracts only	125.3	−45		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

these four counties of southeastern Pennsylvania compared to a 3.2 percent decline for all of the Commonwealth.

Construction activity is holding its own, especially on the residential side where contract values are up 63 percent so far this year. Also, building-related jobs are up by about 800 on a year-to-date basis.

Some recently released deomographic information also provides evidence of the strength of the region's economy. Household formation in the metro area has been growing at a rate double the Statewide advance. Likewise, while Pennsylvania's population remained essentially unchanged, population growth in the region ranged anywhere from 1.5 percent in Dauphin County to 8.4 percent in Perry County over the 1980-1986 period. Such a showing is usually indicative of a strong underlying economy.

Lancaster

Although the gains recorded in previous months may not have been repeated, economic conditions in Lancaster County continued to firm during this year's second quarter and the outlook, not only for this metro area, but for just about all of southeastern Pennsylvania, remains especially encouraging.

As a result of the overall solid showing turned in by the metropolitan area, construction activity continues to grow with residential contract awards up by more than one-quarter in value so far this year and nonresidential contracts up by one-half. The news remains equally encouraging elsewhere in the nonmanufacturing sector. About 6,700 new jobs were generated in these establishments between the second quarters of 1987 and 1988 as the 125,000-mark was eclipsed for the first time on record.

While these industries provide the bulk of all new job opportunities, Lancaster County manufacturers appear to be holding their own. It is of vital importance that the region maintain its current industrial base as well as pave the way for additional service-producing jobs as the two are related. Although a very slight 500 factory jobs were lost since 1987's second quarter, leaving this measure of manufacturing activity at 59,800, this does represent the second-highest April-June total since 1981. An analysis of long-term trends suggests that the region's manufacturers have fared considerably better than in the State as a whole.

As has been the case for several months running, Lancaster County continues to maintain the lowest unemployment rate among the Commonwealth's 15 metro areas. Second quarter's seasonally adjusted 3.4 percent reading was 0.3 point less than the next lowest in the Harrisburg-Lebanon-Carlisle region and 1.6 points lower than in the State as a whole. As it has since the recovery began, the region stands out in that unemployment has declined at the same time that the labor force has been expanding as employment gains have been exceptionally strong. As the number of unemployed and the jobless rate both drop, however, fears of a severe labor shortage and the resulting constraints on potential economic growth continue to escalate.

Lancaster Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	208.8	133	134	128
Unemployed, no. of residents	7.6	87	90	92
Rate, seasonally adjusted	3.4			
Civilian labor force, no. of residents	216.5	131	131	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.6	130	130	126
Nonmfg. only, no. of jobs	125.5	147	146	140
Mfg. only, no. of jobs	59.8	105	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	101
Industrial electric power sales	***	140	138	132

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	130.6	+28
Nonresidential contracts only	48.5	+51

[1] Lancaster County

Philadelphia

Nearly all indicators suggest that overall economic growth slowed somewhat in the eight counties making up the Philadelphia metro area during this year's second quarter. Still, such a development does very little in terms of subtracting away from the gains which have been accumulated over the course of the recovery stretching back to the early 1980s. In light of the fact that long-run trends remain positive despite second quarter's apparent rest, the future continues to look fairly promising for the region, though, again, external developments, especially national trends, will be the overriding factors influencing regional economic growth.

Although it has certainly been overshadowed by the (mostly positive) news generated by the service-producing industries, the manufacturing sector remains a major player in the southeastern Pennsylvania economy. In fact, despite the well-publicized job losses which have racked these industries, they still account for about one in five jobs in the region. Furthermore, trends over the past year suggest that the bulk of all manufacturing job losses have already occurred as payrolls have held fairly steady. Additional evidence of manufacturing's stabilization is found in the relatively high levels of

Philadelphia Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	2,295.5	122	124	120
Unemployed, no. of residents	99.9	55	58	60
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	2,395.4	116	118	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,182.8	119	120	117
Nonmfg. only, no. of jobs	1,809.7	131	131	128
Mfg. only, no. of jobs	372.6	83	84	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	102	102	103
Industrial electric power sales	***	109	111	104

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	967.2	− 2
Nonresidential contracts only	772.0	−17

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

power sales to industry and a 40.5-hour average factory workweek. Still, at 372,600 in the second quarter, factory job totals have bottomed out at record low readings, so the situation is far from rosy.

While the region's factories are just now emitting some fairly positive signals, conditions in the nonmanufacturing sector have been encouraging for several years running. An additional 40,700 jobs were added in these establishments between the second quarters of 1987 and 1988, leaving more than 1.8 million workers on payroll. Concerns have been expressed regarding the trade-off between the service-producing jobs gained and the goods-producing jobs lost. Indeed, the average job in the services industry, a sector which has accounted for over 40 percent of all nonmanufacturing jobs generated since the recovery began, pays anywhere from 84 percent of the average annual wage in manufacturing in Philadelphia County to 56 percent of the manufacturing wage in Delaware County.

Nonetheless, the gains in nonmanufacturing jobs have more than offset the losses associated with the factory sector. This is evident in examining job trends over the course of the current business cycle. After losing 6,000 nonfarm jobs during the first few years of the 1980s, these eight counties have generated a stunning 259,000 jobs over the course of the subsequent recovery.

Perhaps the most significant indicator of second quarter's slowdown is found in the resident employment data. The second quarter typically brings with it a gain of nearly 30,000 in the number of residents counted as employed, but this year employment actually declined by 2,000 to just under 2.3 million. Still, this represents the highest second quarter reading on record and leaves the number of residents counted as employed so far this year 61,000 greater than in the first half of 1987. This gain has absorbed a net inflow into the labor force totaling 56,000 and reduced the the number of unemployed by about 5,000.

All five of the Pennsylvania counties in the region appear to be taking part in the metro area's gains. This is especially true for the suburban counties where resident employment growth has averaged anywhere from 13.3 percent in Delaware County to 16.6 percent in Bucks County over the 1982/1983-1987 period. Philadelphia County turned in a slightly smaller 10 percent gain over the same period.

Reading

Some rather well-balanced gains were turned in by the Berks County economy during this year's second quarter. As a result, the jobless rate fell 0.5 percentage point from first quarter readings to settle at a seasonally adjusted 4.1 percent, the lowest it has been since 1974. At 3,100, second quarter employment gains were stronger than is usually the case for the period, a trend which helped keep unemployment on a downward path. All told, the 166,700 residents counted as employed represent another record and a continuation of several months worth of solid showings.

While new service-producing jobs continue to dominate employment trends, much smaller, though, in many ways, just as welcome, job gains have been registered by the region's manufacturers. Specifically, factory job levels have been on the rise for three consecutive quarters in Berks County after seasonal adjustment and the 48,800 positions maintained in these establishments during the April-June period represent the highest second quarter total in three years. Additional evidence of the manufacturing rebound are found in recent trends in the average workweek and power sales to industry which stand just below all time highs. However, as is the case in most other metro areas where similar improvement is being registered, Reading's gains must be placed in their proper historical perspective. Factory jobs still trail totals turned in during much of the period lasting from the early 1960s through the early 1980s.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	166.7	123	123	118
Unemployed, no. of residents	8.2	80	92	90
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	174.9	121	121	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.4	116	115	111
Nonmfg. only, no. of jobs	104.4	129	127	122
Mfg. only, no. of jobs	48.8	97	96	94
Hrs. worked by production workers in mfg., ave. *weekly*	40.9	105	105	104
Industrial electric power sales	***	137	140	133
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	70.7	+43		
Nonresidential contracts only	19.4	+ 3		

[1] Berks County

On the nonmanufacturing side, job records continue to be set practically every month. Second quarter's 104,400 nonmanufacturing positions represent a gain of 5,100 from year-ago figures. Construction continues to make a solid contribution to the region's overall economic growth as about 700 jobs have been added in these industries so far this year. Also, a solid gain, led by residential projects, has been turned in with respect to the value of construction contract awards so far in 1988.

This solid overall economic picture is reflected in certain demographic trends. So far this decade, Berks County's population has expanded by 2.5 percent while the State's population has only held steady. Furthermore, new households have been formed in the region at a pace 50 percent higher than in the State as a whole.

York

Second quarter did little to counteract an overall optimistic outlook for the York metropolitan area consisting of Adams and York Counties. Now that manufacturing appears to be taking part in the expansion, there are very few weak spots to be found in the regional economy. Indeed, the area remains a vital player in the overall economy of southeastern Pennsylvania which continues to lead the Commonwealth as a whole.

Since the recovery began around 1982/1983, 24,000 jobs have been created in the nonfarm establishments found in these two counties. This more than offsets the loss of 8,000 jobs which occurred over the previous contraction. So far this year, 7,700 new jobs have been added to nonagricultural payrolls. Manufacturing accounted for 3,000 of these new jobs. Should factory job gains continue at this pace, 1988 will be the strongest year with respect to manufacturing payrolls since 1984.

The region's nonmanufacturers have added 4,700 jobs on a year-to-date basis so far in 1988. During the second quarter, more than 115,000 jobs were maintained in these facilities for the first time on record. Further gains are likely well into the foreseeable future as these industries will remain the engine behind the majority of the metro area's job advances. Concerns surrounding the wages of these new jobs relative to those offered in the goods-producing industries continue. In Adams County, average annual wages in the servics industries only come to about 74 percent of the average wage for all industries. The situation is slightly worse in York County as service wages average only 64 percent of those offered on the manufacturing side. Overall construction activity appears to be holding its own in the region as a solid showing with respect to residential contract values has offset sluggishness on the nonresidential side.

All of this good news is reflected in the highest resident employment readings on record (205,700 in the second quarter) and the lowest jobless rates since the mid-1970s (a seasonally adjusted 3.9 percent in the April-June period). The drop in unemployment has occured at the same time that the labor force has also moved to record highs whereas in several regions throughout Pennsylvania, the drop in unemployment has been helped by sluggish growth in the official pool of available workers.

— William D. Anderson

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	205.7	134	134	128
Unemployed, no. of residents	8.9	82	93	90
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	214.6	131	131	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.2	124	123	118
Nonmfg. only, no. of jobs	115.7	140	138	134
Mfg. only, no. of jobs	60.5	102	102	96
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	104	103
Industrial electric power sales	***	122	120	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	107.0	+55		
Nonresidential contracts only	33.1	−19		

[1] Adams and York Counties

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Pennsylvania Business Survey

September 1988

SECOND HALF LOOKING GOOD FOR NOW

The Pennsylvania economy began the second half of 1988 by turning in a performance very similar to that from the first six months of the year. Specifically:

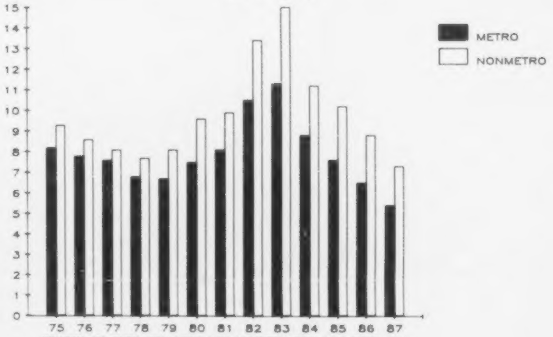
- **Employment and job levels continue to remain at or just slightly below record high readings;**
- **The majority of trends suggest that factory activity continues to expand;**
- **Spending on retail goods by Pennsylvanians continues to advance; and,**
- **Circumstantial evidence suggests that building activity is holding its own, though it is probably not growing by any considerable degree.**

July brought with it a continuation of recent employment/unemployment trends as the number of Commonwealth residents officially counted as employed rose slightly to 5.43 million, seasonally adjusted, and the jobless rate remained in the 5-5.5 percent range, although it did rise by a slight 0.2 percentage point for the month to settle at 5.3 percent. Still, unemployment remains very near its lowest readings in approximately a decade-and-a-half. These trends fall very much in line with earlier expectations, but **the first bit of news on the economy's health for August highlights improvements on the employment/unemployment front which are in excess of current expectations by a considerable amount.** Clearly, the situation remains encouraging.

In the past, the *PBS* has identified the discrepancies in growth across the service- and goods-producing sectors and across east/west boundries in Pennsylvania, often by using trends in employment and joblessness as evidence. A third dichotomy, one which often goes unnoticed, can also be added to the list: a discrepancy between the metropolitan and nonmetropolitan regions of Pennsylvania. This is brought to light in the accompanying chart which illustrates the fact that jobless rates in nonmetro areas consistently exceed those in metropolitan counties. It must be pointed out, however, that such differences are evident throughout the nation, not just in Pennsylvania. In fact, although per capita income is much lower in rural counties in the Commonwealth than in urban regions, again reflecting the dichotomy between the two, the gap is not as large as in the nation as a whole (see chart). **It appears that as the economy has become more service- and information-oriented, the metro regions of both Pennsylvania and the U.S. have been better able to adapt than their nonmetropolitan counterparts, as they have provided more ready markets on both the input and output sides of the equation.**

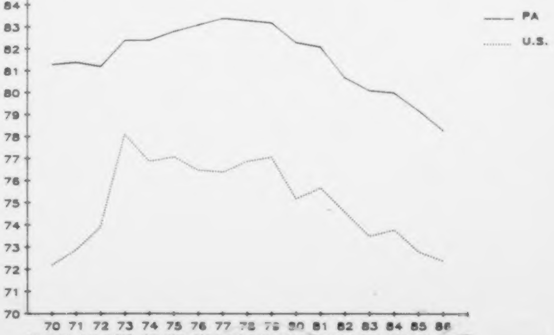
Not only are improved employment prospects for Pennsylvanians as a whole evident in the monthly survey of households taken as part of the U.S. Bureau of the Census' *Current Population Survey*, but they are also evident in information generated through the *Current Employment Statistics* program which represents a cooperative effort of state and federal agencies and provides information on establishment job levels and trends. At least at first glance, **perhaps the most encouraging piece of news comes from the State's factories as employment rose by a seasonally adjusted 7,000 in July from the previous month to settle at 1.06 million, with**

PENNSYLVANIA METROPOLITAN VS. NONMETROPOLITAN UNEMPLOYMENT RATES (percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

NONMETROPOLITAN PER CAPITA INCOME AS A PERCENTAGE OF METROPOLITAN PER CAPITA INCOME



SOURCE: U.S. DEPT. OF COMMERCE; CENTER FOR REGIONAL BUSINESS ANALYSIS

all of the gains coming in the durable goods producing industries. This gain, however, resulted from the fact that down-time for vacations was probably not as pronounced this past July as is normally the case. Indeed, before adjusting for seasonality, job levels actually fell, but only by about half as much as usual.

Steel's fortunes continue to rebound as average daily production was at its highest July reading since 1981 and was up by 12.9 percent from the previous month on a seasonally adjusted basis. Still, the ground lost by these industries, especially over the course of the past decade, will surely never fully be regained. For instance, while primary metals industries accounted for 93,400 jobs in July, up from 88,800 a year ago, this compares with job levels in excess of 200,000 throughout much of the 1970s. This brief "case study" represents an excellent synopsis of the vast majority of the manufacturing sector: while short-term news is encouraging, and probably will remain so, the overall picture in the State's factories leaves a fair amount to be desired compared to historical trends.

Similar short-term good news is evident in most nonmanufacturing industries, but unlike the factory sector, these recent gains are not being tempered by sluggish long-term performances. All told, there were just under 4 million workers in Pennsylvania's nonmanufacturing establishments in July, which translates into a new record after seasonal trends are discounted. As has been the case, most of the good news continues to come from the service-producing sector.

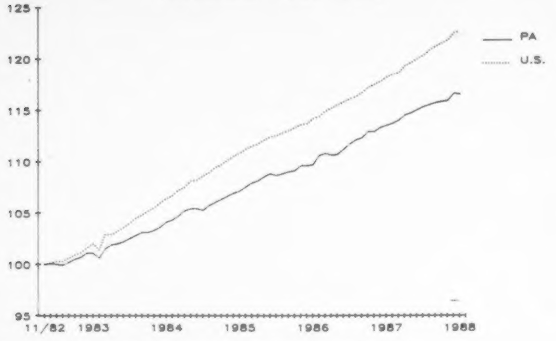
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,075	5,056	4,931	5,035	5,043	4,923	110.3	110.5	107.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,015	3,999	3,888	3,986	3,989	3,878	123.7	123.7	120.3
Mining	30	30	31	29	29	30	60.6	60.4	62.3
Contract construction	246	257	243	236	238	224	128.3*	129.4	121.9
Transportation	142*	137	135	140	143	140	87.0*	88.6	87.2
Public Utilities	106	106	106	105	105	105	104.5	104.1	104.0
Wholesale trade	270	271	267	268	268	264	121.1*	120.7	119.1
Retail trade	880*	877	860	876	877	860	122.1	122.2	119.8
Finance, insurance & real estate	300*	302	297	297	297	293	136.6*	136.7	134.6
Service & miscellaneous	1,345*	1,352	1,284	1,336*	1,345	1,278	154.9*	156.0	148.2
Federal government	144	144	142	143	142	141	111.6*	111.0	109.7
State & local government	552	523	522	554	543	542	95.1	93.2	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,059	1,052	1,042	1,048	1,055	1,045	78.1*	78.6	77.8
Durable goods	606*	605	592	599	604	592	73.9*	74.6	73.1
Nondurable goods	453*	447	449	449	449	452	84.4	84.4	85.0
Ave. wkly. hrs. worked by prod. workers	41.2	40.8	40.9	41.0	40.9	41.0	103.8	103.5	103.7
Total wkly. person-hours worked (mils.)	29.9*	29.3	28.8	29.4*	29.5	29.0	76.6*	76.9	75.5
Total wkly. payroll (mil. dols.)	305.8*	301.2	285.6	301.5*	304.3	288.3	134.2*	135.4	128.3
Average hourly earnings (dollars)	10.23	10.27	9.91	10.25	10.29	9.93	175.2	175.9	169.7
Average weekly earnings (dollars)	421.48	419.02	405.32	420.22	421.55	407.58	181.7	182.2	176.2
Steel production (thous. tons)	1,131*	1,149	933	n.a.	n.a.	n.a.	50.6*	57.2	49.4
Industrial electric power sales (mil. kwh)	3,832	3,849	3,737	3,761	3,800	3,709	101.8	102.9	100.4
Mining									
Anthracite coal (thous. net tons)	355	309	426	354	301	393	72.5	61.6	80.5
Bituminous coal (thous. net tons)	6,452	5,538	4,994	6,420	6,493	5,897	91.0	92.1	83.6
Construction contracts awarded (mil. dols.)									
Total	1155.0	818.8	828.5*	827.0	738.7	707.9*	257.1	229.6	220.0*
Residential building	385.8	392.8	368.0*	329.1	338.1	294.2*	233.8	240.2	209.0*
Nonresidential building	385.6	238.2	257.1*	270.8	239.7	228.3*	249.6	220.9	210.4*
Nonbuilding (utilities and public works)	383.6	187.8	203.4*	227.1	160.9	185.4*	313.3	222.0	255.8*
Retail Sales (mil. dols.)	6,745	n.a.	6,255†	6,617	n.a.	6,133†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,461	5,568	5,458	5,411	5,429	5,315	112.6	113.0	110.6
Unemployed									
No. of persons (thous.)	325	315	335	292	304	322	72.9	75.7	80.3
Rate (percentage of labor force)	5.6	5.3	5.8						
Rate, seasonally adjusted				5.1	5.3	5.7			
Civilian labor force, no. of persons (thous.)	5,786	5,882	5,794	5,703	5,733	5,637	109.5	110.1	108.3
Initial claims for unemployment benefits	73,976	82,617	93,945	83,192	82,103	88,264	58.1	57.3	61.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	June	*July*	*July*	*Ago*	*Ago*
U.S. city average	118.0	118.5	113.8	+0.4	+4.1
Philadelphia	121.9	123.2	117.4	+1.1	+4.9
Pittsburgh	114.3	n.a.	111.1†	n.a.	+2.9

[1] Total includes workers on strike. * = figure revised † = figure for June 1987 n.a. = data not available

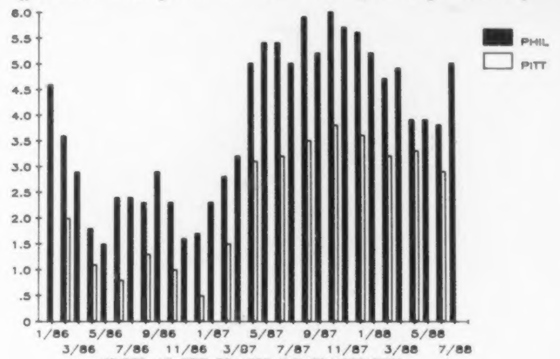
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

SERVICE-PRODUCING JOBS IN THE CURRENT RECOVERY
(November 1982=100)



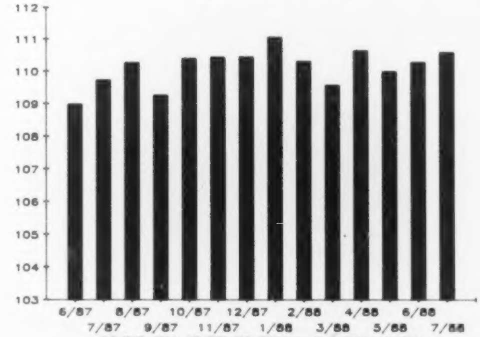
SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PHILADELPHIA AND PITTSBURGH INFLATION RATES
(percent change in the CPI from year-ago month)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

While the accompanying chart shows that nearly continuous job gains have been registered by the State's service-producing establishments over the course of the current recovery, it also suggests that these gains have not measured up to those recorded throughout the nation, and this "peformance gap" shows no signs of narrowing.

Within the nonmanufacturing sector, **retail activity continues to expand in the Commonwealth.** Specifically, retail sales surpassed the $6.6 billion mark for the first time in June after adjusting for seasonality. Through the first half of this year, sales grew by 9.8 percent from the same period in 1987. This compares rather favorably with the 7 percent gain recorded nationally. Sales and use tax collections by the Pennsylvania Department of Revenue, which represents yet another indicator of retail sales activity, grew by 8.4 percent on a year-to-date basis during the first six months of the year, providing further evidence of a strong showing. (Beginning with this issue of the *Pennsylvania Business Survey*, retail sales will be reported on a monthly, rather than quarterly, basis in an effort to present a more detailed overview of economic activity within the Commonwealth. In that the data is released with a longer lag than that for the majority of the data presented in the *Survey*, it will not be quite as current.)

Trends in construction contract awards remain unimpressive. In fact, the value of total awards in July was off by 1.2 percent from a year ago. For the first seven months of 1988, total awards have advanced by just 4.6 percent, the worst showing since 1983. Sluggish performances have been turned in by both the nonresidential and nonbuilding sectors so far this year, with only a minimal gain in residential contract values. (Caution is required in making month-to-month comparisons as there are indications that July's seasonal factors do not adequately reflect normal seasonality.) **On the other hand, construction jobs remain at record high readings, implying that these industries remain healthy.**

As shown in the accompanying chart, it is apparent that there was an uptick in price pressures in both the Philadelphia and Pittsburgh regions around mid-year 1987. (These are the only two regions in Pennsylvania for which CPI data is available.) In fact, for more than a year, the percentage growth in the CPI, expressed on an annual basis, has averaged out at about 5 percent in southeastern Pennsylvania and 3.3 percent in the Pittsburgh metro area. Inflation has not been that high since 1981 in Philadelphia and 1984 in Pittsburgh. In the U.S. as a whole, where similar renewed price pressures are also evident, general inflation and the resulting bottlenecks in the labor and financial markets are viewed as the most likely catalysts for any possible downward trend in growth.

But for now, the overall situation appears fairly encouraging in the Commonwealth. Indeed, the fact that the Pennsylvania index of leading indicators has advanced in each of the past two months and has not exhibited any consistent downward trends over the course of the past several months, combined with the solid employment/unemployment showing in August, suggests that **further advances in economic activity are likely, though the degree of this expected improvement remains to be seen.**

— *William D. Anderson*

Personal Income Report

Recent issues of the *Pennsylvania Business Survey* have pointed out the improvement in the performance of the Pennsylvania economy which began near the end of 1987 and has continued through the first half of 1988. As it has for the past several quarters, that improvement continues to be reflected in trends in personal income as fairly solid gains have been registered over the past year, even relative to the U.S. as a whole. For the first quarter, personal income, the total of all income including earnings, transfer payments, and

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. agp	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1988:IQ	186,230	0.7	6.7	185,260	0.8	6.8
1987:IVQ	184,999	2.5	7.6	183,851	2.5	7.5

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

interest/rent/dividend receipts, is estimated to have been $186.2 billion in Pennsylvania. This represents a gain of 6.7 percent from the first three months in 1987, 0.4 percentage point greater than the advance recorded in the nation as a whole. Even with the volatile farm sector excluded, income growth in the Commonwealth outpaced national gains.

While year-over-year gains in personal income have been stronger in Pennsylvania than in the nation in three of the past four quarters, the accompanying chart suggests that this should not be interpreted as the start of a trend in light of the continuous shortfalls racked up over the course of several years. (Negative values in the chart represent the amount by which U.S. annual growth rates exceed Pennsylvania readings. Positive values occur when personal income growth in the Commonwealth is higher than in the nation.) In fact, an examination of quarter-to-quarter growth rates, which are not shown in the chart, shows that the Commonwealth has lagged national norms in each of the past two quarters. So, while recent good news has been welcome, the longevity of these positive trends is far from certain.

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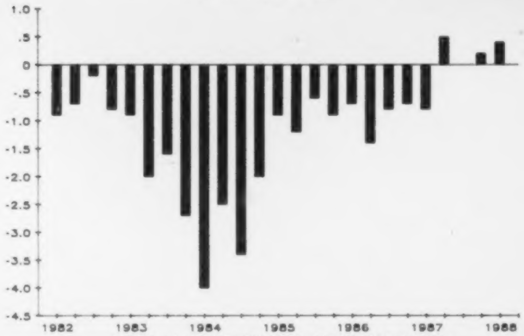
PA PERSONAL INCOME GROWTH RELATIVE TO THE U.S.
(percentage point difference in annual growth rates;
PA minus U.S.)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

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